



# George

## Land of Milk and Honey?

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## 1. Introduction

For tens of thousands of years, hunting and gathering were the only means of survival on the southern coast of South Africa. Some two to three thousand years ago, Khoikhoi herders moved into this verdant area, which they would later call the 'Land of Milk and Honey'.<sup>1</sup> The Dutch East India Company (DEIC) founded a settlement (a 'houtpos') in 1711 to exploit the forests of the area and this settlement first grew into a town, named George, and now is an intermediate city.

The municipal area of modern George straddles the Southern Cape and Little Karoo regions of the Western Cape Province, and is situated almost halfway between the two metropolitan areas of Cape Town and Port Elizabeth. The area administered by George Local Municipality forms part of the larger Eden District Municipality's jurisdictional area. The headquarters of the Eden District Municipality are also located in George.

We trace important historic factors that have in the past determined the future of George and extend this by considering if George could develop into a metropolitan city<sup>2</sup>. In this process we examine various aspects of the city starting with applicable research, the history of the area, its demography and economy as well as the forces that have affected them. Because local authorities usually play a significant role in development dynamics, we examine the current local authority of George in detail: e.g. its governance, financial management, service delivery, spatial planning and local economic development (LED) planning are examined. In addition, the broad economy of the area, the resources on which it depends, and the management of the environment, innovation and the rural hinterland are considered before a final synthesis is presented.

## 2. Profile of existing research

George does not have a fully-fledged university campus, probably the main reason why the city and its immediate hinterland have been low on academic and consultancy research agendas. Only a handful of university degree studies and not many academic and consultancy research reports have been published on issues relevant to the area. The scant research completed on George and its immediate environs have focused broadly on social, environmental, spatial, economic and administrative issues. Most of the published material identified is recent (within the past twenty years).

At the time of major municipal restructurings in 2000 a study compared the spatial transformations of George, Pretoria and Cape Town. In the city of George, a very positive picture emerged of socio-political transformation but spatially the apartheid landscape was very much intact.<sup>3</sup> As one of the ways in which spatial integration could be best achieved, the proposed integrated transport strategy of the city has also

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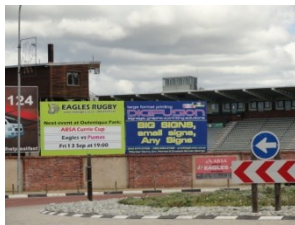
<sup>1</sup> Van Waart, S. 1998. *Outeniqualand – plek van melk en heuning*. JP van der Walt: Pretoria.

<sup>2</sup> Personal interviews were held with 29 different persons of the George community. They included members of the community, business persons, municipal officials and consultants

<sup>3</sup> Lanegran, D. 2000. The post-apartheid city and the globalization of eroding the landscape of apartheid. *Macalester International*, 9: 9: 269 – 278.

received some attention<sup>4</sup>. A number of papers have focused on aspects related to local economic development (LED) (the role of construction<sup>5</sup> and that of small, medium and micro enterprises (SMMEs)<sup>6</sup> and informal businesses<sup>7</sup>) and these are mostly linked to tourism development.<sup>8</sup>

The city of George has become synonymous with hosting annual sport events such as the annuale World Sevens rugby tournament (until it was moved to Port Elizabeth in 2013), the annual International Under-18 rugby tournament (2013) (photograph 1) and the Presidents Cup in 2003. (The latter was the focus of a master's study.<sup>9</sup>) George, to some extent, was also part of the Eden District Municipality's 2010 World Cup strategy.<sup>10</sup>



Photograph 1: George rugby stadium (Photograph: Authors)

<sup>4</sup> Page JH. 2012. A comparison of integrated transport and spatial planning instruments: a case study of the Eden District Municipality, Hermanus local municipality and Cape Town metropolitan areas. M.Art. et Scien. Urban and Regional planning MA thesis, North-West University; Ribbonaar, D and L van den Berg. 2008. Public transport system transformation within the context of George Municipality. Proceedings of the 27th Southern African Transport Conference (SATC 2008) 7–11 July 2008 ISBN Number: 978-1-920017-34-7, pp 491–498.

<sup>5</sup> Terblanche JC. 2007. Construction and infrastructure development in local economic development: a Southern Cape perspective. MBA, University of Stellenbosch.

<sup>6</sup> Mmbengwa VM, Groenewald JA and van Schalkwyk H. 2013. Evaluation of the entrepreneurial success factors of small, micro and medium farming enterprises (SMMEs) in the peri-urban poor communities of George Municipality, Western Cape Province, RSA. *African Journal of Business Management* 7 (25): 2459–2474.

<sup>7</sup> Smit E and Donaldson, R. 2011. The home as informal business location: home-based business (HBB) dynamics in the medium-sized city of George. *Town and Regional Planning*, 59: 26–35.

<sup>8</sup> Ramukumba T. 2012. The local economic development in the Eden District Municipality, Western Cape Province, South Africa: a case study of emerging entrepreneurs in tourism industry. *American Journal of Tourism Research* 1(1): 9–15; Ramukumba T, Mmbengwa VM, Mwamayi, KA and Groenewald J. 2012. Analysis of the socio-economic impacts of tourism for emerging tourism entrepreneurs: the case George Municipality in the Western Cape Province, South Africa. *Journal of Hospitality Management and Tourism* Vol. 3(3): 39–45; Rutherford DL. 2006. Towards a development strategy for small businesses in the tourism industry of the Southern Cape. MA thesis University of Pretoria; Biljohn M. 2013. Analysis of interventions in support of small tourism businesses in the Eden District Municipality. MA Public Administration, Stellenbosch University.

<sup>9</sup> Kies C. 2005. The local impact of the Presidents Cup 2003: what lessons for sports tourism and development in South Africa? MA International Relations, Stellenbosch University.

<sup>10</sup> Daniels T. and Swart K. 2012. The 2010 FIFA World Cup and the Eden District Municipality. *African Journal for Physical, Health Education*, 18(1): 152–161.

The drought experienced in the region during the latter part of the 2000s naturally evoked interest among some scholars as to how authorities dealt with the disaster<sup>11</sup> as well as studies looking at the opposite risk of floods.<sup>12</sup> These events necessitated a debate on the impacts of climate change<sup>13</sup> on sensitive biodiversity environments<sup>14</sup> present in the Eden District. The development of golf estates is a key aspect of how urban growth and development have impacted on the physical environment, especially in this region.<sup>15</sup>

The fact that George has become a municipality exhibiting good governance and performance attracted interest to investigate internal communication strategies<sup>16</sup> and a review of management competencies<sup>17</sup> and performance in terms of provision of government subsidised housing.<sup>18</sup> In terms of social issues the focus of research has been on food security,<sup>19</sup> teenage pregnancies,<sup>20</sup> crime<sup>21</sup> and primary health care.<sup>22</sup>

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<sup>11</sup> Raju E and Van Niekerk D. 2013. Intra-governmental coordination for sustainable disaster recovery: a case-study of the Eden District Municipality, South Africa. *International Journal of Disaster Risk Reduction* 4: 92–99; Disaster Mitigation for Sustainable Livelihoods Programme. 2012. Southern Cape drought disaster: ‘The scramble for water’. Stellenbosch University; Lottering N. 2011. The extent of water sensitive urban design in the George municipality. MA Geography, Stellenbosch University.

<sup>12</sup> Benjamin MA. 2008. Analysing urban flood risk in low-cost settlements of George, Western Cape, South Africa: investigating physical and social dimensions. MA Social Sciences, UCT.

<sup>13</sup> Faling W and Tempelhoff JWN. 2012. Rhetoric or action: are South African municipalities planning for climate change? *Development Southern Africa*. 29(2): 241–257; Midgley SH. 2009. Climate change and agriculture: impacts and opportunities. The impact of climate change on coastal and little Karoo living (invited keynote). Eden District Municipality, Mossel Bay, 2–4 February 2009.

<sup>14</sup> Pauw J. 2009. Challenges to sustainability in the Garden Route: water, land and economy. NMMU, George Campus, p.34. <http://sru.nmmu.ac.za/sru/media/Store/documents/Publications%20and%20Reports/Pauw,-2009--Challenges-to-sustainability-in-the-Garden-Route---.pdf>; Vromans DC, Maree KS, Holness S, Job N and Brown AE. 2010. The Garden Route Biodiversity Sector Plan for the George, Knysna and Bitou Municipalities. SANPARKS et al. ISBN 978-0-9869776-1-9

<sup>15</sup> Van Zyl LM. 2006. The Garden Route golfscape: a golfing destination in the rough. MA Geography and Environmental Studies, Stellenbosch University; Van der Merwe SJ. 2006. Local and sub-regional socio-economic and environmental impact of large-scale resort development. MA Geography and Environmental Studies, Stellenbosch University.

<sup>16</sup> Opperman Y. 2007. An internal communication assessment of the George Municipality. MA Organisational Communication Research and Practice. UNISA.

<sup>17</sup> Krapohl J. 2007. Assessing management competencies in selected Southern Cape municipalities. MA Business Administration, Nelson Mandela Metropolitan University.

<sup>18</sup> Shisaka Development Management Services. 2011. Report on a qualitative study on three communities. Johannesburg: Shisaka Development Management Services.

<sup>19</sup> Modirwa S and Oladele OI. 2012. Food security among male and female-headed households in Eden District Municipality of the Western Cape, South Africa. *Journal of Human Ecology*, 37(1): 29–35.

<sup>20</sup> Sethosa GS. 2007. Teenage pregnancies as a management issue in townships in George. MA Education, Nelson Mandela Metropolitan University.

<sup>21</sup> Pockpas ML. An operational analysis of known rape cases in the greater George area. MA Forensic Investigation, UNISA.

The expansion of the Nelson Mandela Metropolitan University (NMMU) campus at Saasveld could perhaps contribute to more research being conducted on the city and surrounding areas in the future.

### 3. Historical perspective

The history of Outeniqualand and George has certain recurring themes.<sup>23</sup> The first is the development of *interracial or intergroup tensions*. One or more groups of people occupied Outeniqualand before others arrived and then strife followed. For tens of thousands of years, the hunter-gatherer forefathers of the San people used Outeniqualand, before Khoi herders arrived with their livestock. Strife and tensions between the Khoi and the San followed. The Dutch East India Company (DEIC) founded a settlement (a 'houtpos') in 1711 to exploit the forests of the area and in 1713 the first European colonist farmers arrived. The DEIC, located 350 kilometres away, assumed the right to lease out land to these farmers. Tensions and strife between the Khoi and the colonists followed. In 1795 and again in 1806 the British government occupied the Cape Colony. Over the next decades, Dutch settlers – for a variety of reasons – became dissatisfied with British rule. The town of George, formally founded by the British in 1811, did not escape the British-Dutch colonist tensions that caused the Great Trek in 1836. The Anglo-Boer War (1899 to 1902) and sympathies for the Boer cause contributed to reprisals and strife against the British.<sup>24</sup> The policies of the apartheid government obviously resulted in racial tensions. These were exacerbated by the eventual development of three separate municipalities: George Municipality for white people, Pacaltsdorp Municipality for coloured people and Thembalethu Municipality for black people. Accusations of white privilege followed.

Since the 1970s George has experienced two new immigration waves. Firstly, the building in 1977 of the George airport and the development in 1996 of the Fancourt golf resort enhanced the reputation of George and led to an inflow of many wealthy foreigners and white South Africans.<sup>25</sup> In addition, many former civil servants who after 1994 exited the civil service with financial packets also settled in George or its surrounds. These groups are still derogatively called 'inkommers' (incomers) by the original residents who often resent their presence, knowledge and wealth. Secondly, the completion in 1987 of the Moss gas (now PetroSA) gas-to-liquid fuel facility at Mossel Bay caused an inflow of work seekers, mostly

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<sup>22</sup> Kapp PA, Klop AC and Jenkins LS. 2013. Drug interactions in primary health care in the George subdistrict, South Africa: a cross-sectional study. *South African Family Practice*, 55(1): 78–84.

<sup>23</sup> The following sources were used to identify the recurring themes: (i) Prehistory of the southern Cape – publications of Curtis Marean and his research team at Pinnacle Point, Mossel Bay (e.g. Marean CW. 2010. Pinnacle Point Cave 13B (Western Cape Province, South Africa) in context: The Cape Floral kingdom, shellfish, and modern human origins. *Journal of Human Evolution*, 59 (3–4): 425–443); (ii) Pre-colonial and colonial history of the George area – Elphick R and Giliomee H (eds). 1989. *The shaping of South African Society 1652–1820*. Maskew Miller Longman: Cape Town; (iii) History of George – Van Waart S. 1998. *Outeniqualand: plek van melk en heuning*. JP van der Walt: Pretoria.

<sup>24</sup> Van Waart S. 1998. *Outeniqualand: plek van melk en heuning*. JP van der Walt: Pretoria

<sup>25</sup> The interviews revealed what seemed to be an urban legend, that people involved in big business have relocated their families from mainly Gauteng and KZN to George to settle in the city because of the quality of life and the rural atmosphere and moderate climate. These people then shuttle on a weekly basis to do their business in these centres. However, others argue that these business people relocated or expanded their businesses to George but when these failed they started shuttling back to the centres.

poor rural blacks, from the Eastern Cape. Some settled in George. They have added to the unemployed, in need of housing and often dependent on welfare. Some people resent their presence. Lastly, some new settlers include foreigners such as Somalis who are often traders in places such as Thembaletu. Their presence is also sometimes resented and George did not escape the spate of xenophobic attacks in the late 2000s. Some wealthy Europeans (the so-called 'Swallows') have bought properties in Outeniqualand and spend six months of the year here. The historical and recent tensions have impacted negatively upon the ability of George to become a truly cooperative community working towards a common and shared vision of a better future for all.

There is a long history of involvement in and *dependence on far-away markets*. Once the route around the Cape of Good Hope was discovered by the Portuguese in the 1480s, passing mariners traded beads, copper and other goods for livestock, also with the Outeniquas of Outeniqualand. Soon after the founding of the Dutch victualing station at Table Bay in 1652, Dutch trading expeditions were sent out to barter livestock, also from the Outeniquas. Once it became clear that the Khoi were unable and/or unwilling to supply enough livestock to the DEIC, colonist farmers were allowed to move further and further into southern Africa. Part of their agricultural produce, in particular livestock, was marketed in Cape Town. The wood harvested in the forests of the southern Cape was sought after in Cape Town and elsewhere for the construction of houses, building of wagons and carts and repair of ships. The Great Trek and the inland discovery of diamonds (1869) and the farming of merino wool (after 1789) opened new markets for the George farmers and forest workers. By the middle of the 19<sup>th</sup> Century some George farmers exported wool to the British wool industry and at the end of the 19<sup>th</sup> Century they participated in the booming international ostrich feather market. Transport riding and wagon building were important local industries.<sup>26</sup>

George has always been very dependent on links to these distant markets. The deep ravines of the streams draining the Outeniqua mountains to the south and the rugged mountain ranges to the north have always made it *difficult to transport goods and passengers* to and from George. In the 19<sup>th</sup> and 20<sup>th</sup> centuries much effort went into building different passes through the surrounding mountains, constructing bridges over streams and building better roads. By 1907, George was linked to Cape Town by railway and in 1977 it was linked by air. Access to distant markets has vastly improved, but, given modern transport costs, it remains expensive and limits profitable export opportunities. Today, three important national roads – N2, N9 and N12 – traverse George. The much-improved road on the Outeniqua Pass are also said to have played a role in positioning George as a regional service centre since the 1990s. Yet, recent history indicates that some enterprises still find it difficult to compete on price because of high transport costs.<sup>27</sup>

*Natural and man-made disasters* have played a huge role in the development dynamics of Outeniqualand. A smallpox outbreak that originated from a Dutch ship at Cape Town decimated the Khoi population of the Cape Colony; also in Outeniqualand. Encroachment by colonist farmers reduced the area available to the Khoi, many of whom eventually became workers on colonist farms. In 1869 a fire destroyed huge tracts of forest between Riversdale and Uitenhage. Droughts have been often recorded in Outeniqualand, most recently in 2009/2011,<sup>28</sup> when the water supply to George was under severe

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<sup>26</sup> Van Waart S. 1998. *Outeniqualand: plek van melk en heuning*. JP van der Walt: Pretoria.

<sup>27</sup> Personal communication from a business person.

<sup>28</sup> Holloway A, Fortune G, Zweig P, Barrett L, Benjamin A, Chasi V and de Waal J. 2012. *Eden and Central Karoo drought disaster 2009–2011: the scramble for water*. Report of the University of Stellenbosch.

pressure. Floods have also had an impact on Outeniqualand; most recently, in 2006, a flood caused severe damage to the track on which the famous Choo-Tjoe train ran between George and Knysna.<sup>29</sup> In the opinion of many the loss of this attraction dealt a severe blow to tourism in George.

The beaches of Outeniqualand, including those of George, have always been *popular holiday destinations*. In former times, families were transported by ox wagons to summer holiday destinations. Later on, automobiles, better roads, passenger trains and commercial airlines contributed to an even larger influx of holiday makers in the peak summer period. Many holiday makers own second homes in the area, the building of which was a major stimulus to the local construction industry. The huge influx of summer visitors differs materially from the situation of many other secondary cities, providing a boon to the trade and hospitality sectors but adding additional challenges to the municipality in terms of services provision for peak demand situations.

George and its surrounds have, especially after 1994, become a sought after *retirement destination*. This also stimulated the construction industry. Many of these original retirement home owners are now moving to retirement villages with frail-care facilities. The building of such facilities is an important stimulus to the construction industry.

It follows from the foregoing that the economy of Outeniqualand, including that of George, has been and still is *sensitive to the state of the world economy*. A slump in the world economy invariably causes a slump in the local economy.

*Leadership* is an important determinant of successful communities.<sup>30</sup> In George, the current political leaders seem to be continually involved in all kinds of posturing with few visible signs of a truly cooperative effort to achieve a better future for all. However, individuals have contributed significantly to the development of George. For example, the Khoi leader, Captain Dikkop, was determined to provide a better future for his followers and his efforts – together with the Anglican Church – eventually lead to the founding of Pacaltsdorp, which in 1975 became an independent municipality. Today it is still an important part of the city. Henry Fancourt White was a business man who played an important role in the development of the town of Blanco (now part of George) in which the manufacturing of leather products became important. In the 1990s a German married couple, the Plattners, played important roles in the development of the Fancourt golf resort. George is still in need of strong individuals who can provide leadership.

A concourse of *political processes and changes* has probably contributed to the significant growth of George since the 1980s. By the 1980s George was not the major role-player in the region that it is today. It is no secret that George was allowed an airport and then aptly named it after the person who secured this development, PW Botha. Not surprisingly, then, the city was also identified as one of the fifty-odd industrial development points, as part of the apartheid government's 1982 Regional Industrial Development Programme. Growth points and concomitant concessions had to stimulate a more even distribution of economic activities in the country, while at the same time compensate for the lack of

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<sup>29</sup> Liou J. 2011. Garden Route loses its 'Choo-Tjoe'. *Mail & Guardian*. <http://mg.co.za/article/2011-09-26-garden-route-loses-its-chootjoe>

<sup>30</sup> Fukuyama F. 1995. *Trust: The Social Virtues and the Creation of Prosperity*. The Free Press: New York.

agglomeration advantages that entrepreneurs could have gained in metropolitan areas.<sup>31</sup> George was the only identified growth point in the Southern Cape region, and one of two others located within the current provincial boundary. However, when the wheels of apartheid started coming off and PW Botha was ousted as prime minister the anticipated state-driven support for George did not materialise. During the transition to democracy and immediately after 1994 the growth process was completely driven and dictated by the private sector.



Photograph 2: Housing backlog from N2



Photograph 3: State subsidised housing seen from N2

(Photographs: Authors)

Three main development types anchored the city: as a place to retire in, a substantial growth was experienced in retirement villages; directly related to this, a substantial growth was experienced in high-quality medical facilities (a cluster especially around the hospital); and, lastly, to experience a safer lifestyle compared to that experienced in the metropolitan cities, there were golf estate and residential expansions, e.g. Eskom Park and Loerie Park. Stakeholders interviewed are in agreement that Fancourt actually put George on the map as a destination of choice for the affluent and has become the symbolic face of what George was standing for at the time – a quality and safe lifestyle. The net result of the dramatic growth experienced in George resulted in the rapid migration of mostly unskilled and unemployed work seekers from the Eastern Cape. Today there are approximately 23 000 people on the waiting list for state subsidised housing (photographs 2 and 3). On the opposite side of the spectrum, the economic recession since 2009 impacted dramatically on the construction industry. Today there are 29 000 empty residential stands (albeit serviced) for middle and upper-income groups.<sup>32</sup>

## 4. Demography and population change

Over the years, as a result of the Integrated Development Planning (IDP) process, a range of demographic trends have been recorded. Most of these were based on official census data and, for some years, data from Quantec and other industry sources was used. The municipal entities having to consider

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<sup>31</sup> Van der Merwe IJ, Van der Merwe JH and de Necker PH. 1987. *The Regional Industrial Development Programme and the White Paper on Urbanization viewed against the spatial realities of urbanization in Southern Africa*. Institute for Cartographic Analysis, University of Stellenbosch.

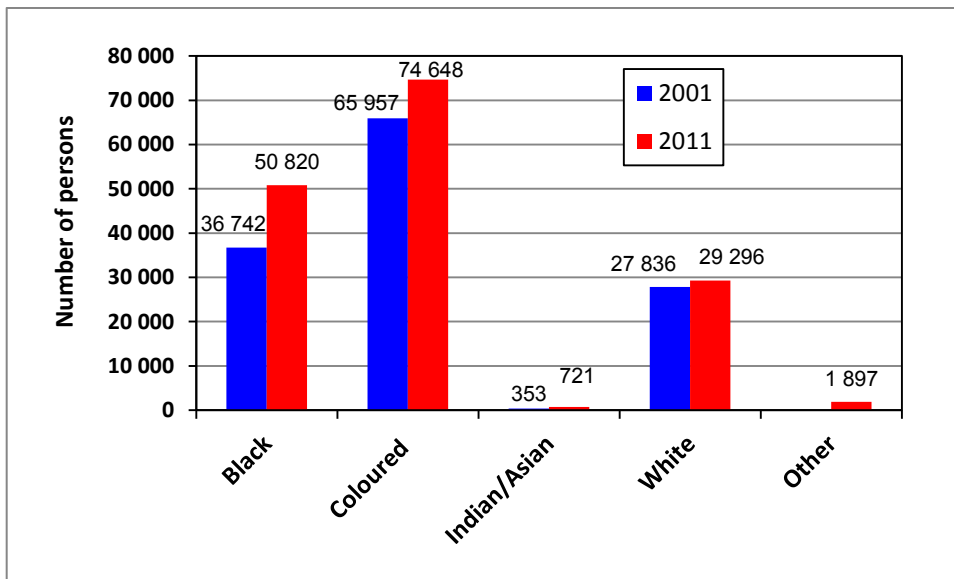
<sup>32</sup> Interviews with municipal and other officials.

demographic trends have been well informed about the trends for the city (and municipal area). The relevant departments and identified projects are, therefore, based and justified on these statistics. In some cases departments have conducted their own surveys (e.g. the LED office did a major survey among informal economic businesses). The 2001 Census recorded the population in the George Municipality's management area at 150 000 (39 699 households) and the 2011 Census recorded a population total of 193 670 (53 551 households, with backyard dwellers included)<sup>33</sup>.

#### 4.1 Racial geography

The racial geography of settlements in the Western Cape is typically dominated by coloured residents. George is no exception (Figure 1). In 2011, the majority of residents were coloured (47%) followed by blacks (32%) and whites (19%).

**Figure 1: Racial geography of George (2001 and 2011)**



The percentage growth rate for each of the population groups between 1996 and 2011 is shown in Table 1. When compared to the immediate post-apartheid period (1994–2001), all three main population groups have seen a decline in growth rate between 2001 and 2011. The overall percentage growth rate has declined by half between these two periods. In 2005 the IDP predicted that the municipal area would have a growth rate of 2.5% until 2015. The actual ten-year growth rate between 2001 and 2011 is therefore in line with this prediction.

<sup>33</sup> All data in this section is derived from official census data (Statistics South Africa)

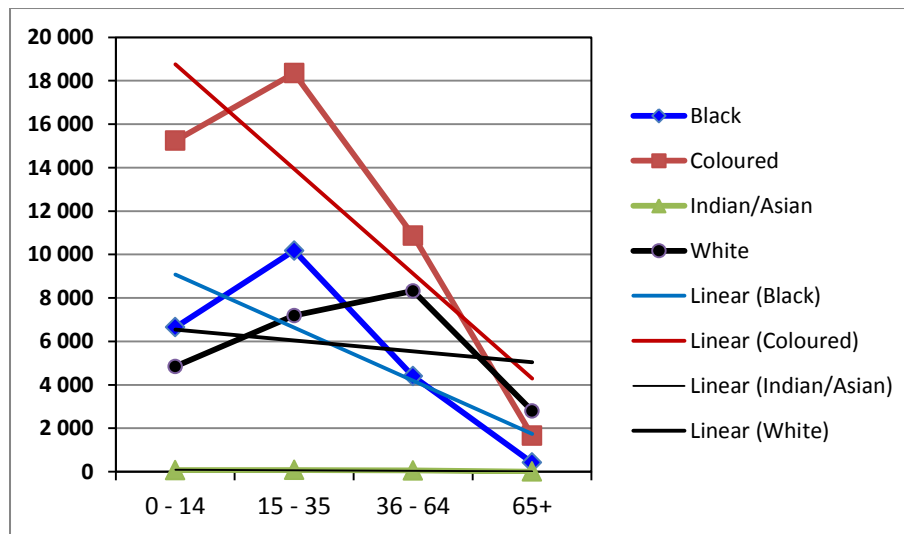
**Table 1: Percentage population growth rates**

Population group	% growth rate	
	1996–2001	2001–2011
Black	6.7	3.8
Coloured	4.1	1.3
Indian/Asian	6.3	10.4
White	1.9	0.5
Total	4	2

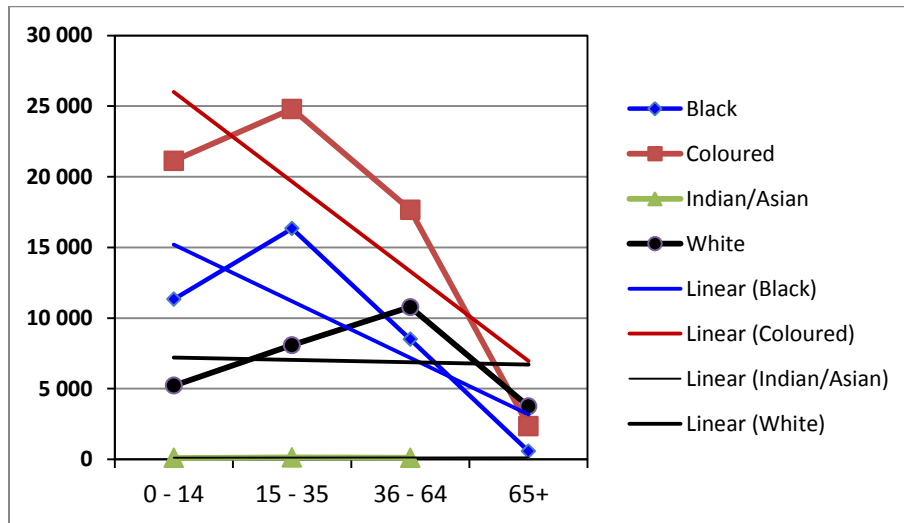
Source: Calculated from official Census data (authors)

Figures 2A to 2C depict the age categories according to population groups and the respective linear trend lines. Compared to coloured and black residents, the linear trend lines clearly show the opposite trend for whites. The linear trend line for blacks and coloureds in 2011 is basically in line and indicates a lopsided age structure with the vast majority being young and there is a steep decline in age from young to old. For whites there was a gradual, but small decline in the older age groups in 1996 but since then there has been a gradual increase in the figures for the elderly. This confirms the overall status of the city as a retirement option for elderly whites who come from economically well-off backgrounds.

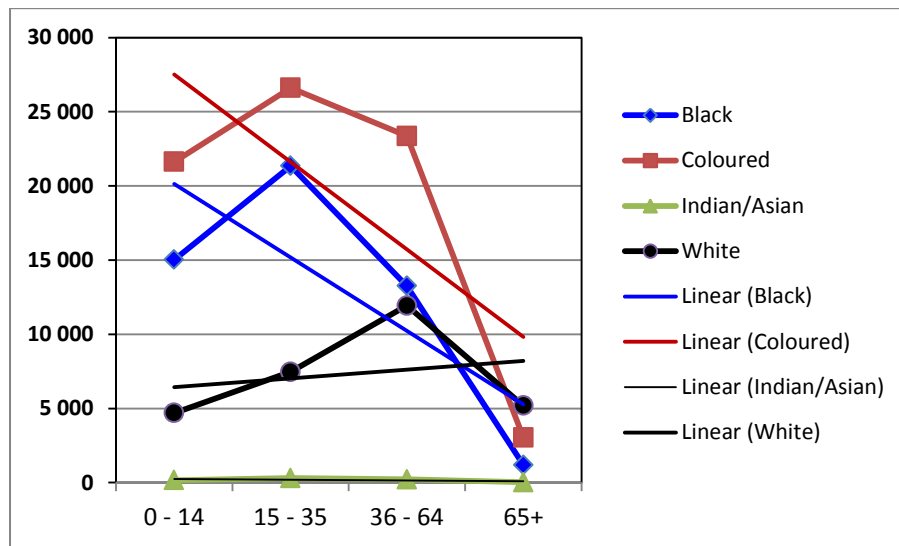
**Figure 2A: 1996 age groups according to population**



**Figure 2B: 2001 age groups according to population**



**Figure 2C: 2011 age groups according to population**



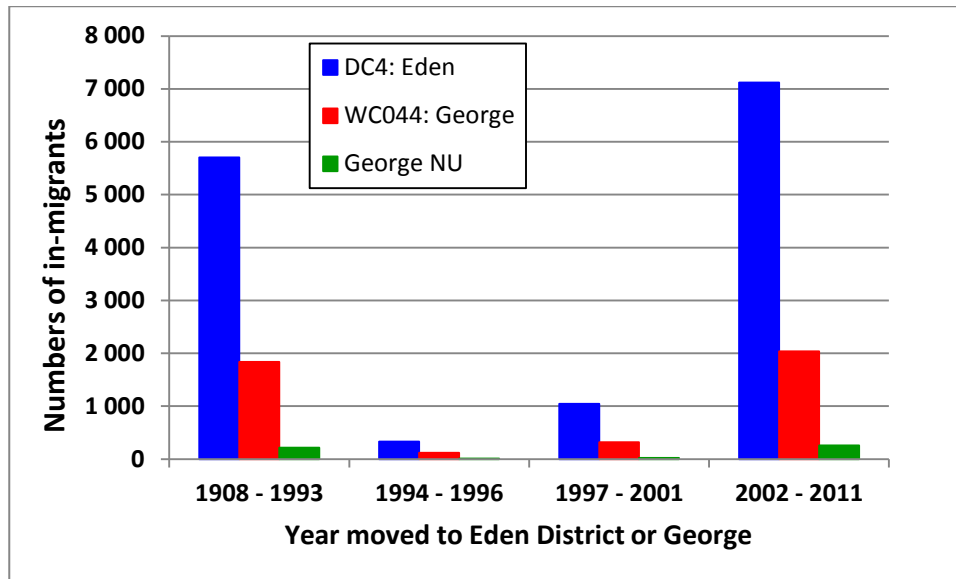
The non-urban area has seen a less rapid growth rate. In 1996 there were 14 890 persons (weighted) living in non-urban areas and this total increased to 20 906 in 2011.

Echoed in a report done in 2009, many of the stakeholders are in agreement that the growing population creates pressure on land use in the form of increased demand for housing and the provision of basic infrastructure. The population growth can be attributed to natural increase and in-migration. Two specific in-migrant groups are named: those from the impoverished rural areas of the Eastern Cape who come in search of employment (leading to an increased demand for subsidy housing) and a high socio-economic group drawn by the lifestyle possibilities of the region. An increase in luxury residential estates over the recent past is evidence of this latter phenomenon. A peculiar feature of the study area is the 'way in which the demand for land responds to economic development elsewhere in South Africa'. This is seen in

particular in the market for holiday homes'.<sup>34</sup> The growth in the specific sectors is catered for in the IDP in terms of the segments in need of further development.

Figure 3 shows the year that in-migrants moved to their present place of residence in Eden, George and George Non-Urban (George NU). The trend for all three areas is more-or-less similar. Between 1993 and 2002 there was stability in terms of new in-migrants but numbers surged again after 2002.

**Figure 3: Year moved to present place of residence in Eden, George and George Non-Urban**

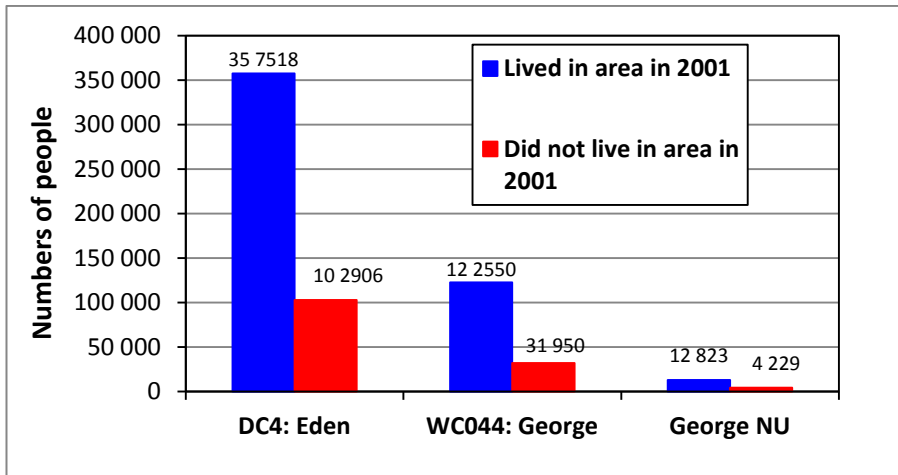


In terms of the proportional differences between the three areas there is also a similar trend insofar as population growth is concerned. Figure 4 shows the difference between the number of persons who were living in the areas in 2001 and the number of persons who were not living there. The ratio (in-migrants: historic population) between the three areas is, respectively: Eden 1:3.47; George 1:3.84; and George NU 1:3.03.

Figures 5A to 5D show the annual household income distribution patterns according to race for the Western Cape, Eden District, George and George NU. With the exception of George NU (where there are very few blacks) the broad income profile patterns are almost identical.

<sup>34</sup> Pauw J. 2009. Challenges to sustainability in the Garden Route: water, land and economy. NMMU, George Campus, p.27. <http://sru.nmmu.ac.za/sru/media/Store/documents/Publications%20and%20Reports/Pauw,-2009--Challenges-to-sustainability-in-the-Garden-Route---.pdf>

**Figure 4: Difference between the number of persons who were living in the George areas in 2001 and those who were not living there**



**Figure 5A: Annual household income distribution according to race for the Western Cape**

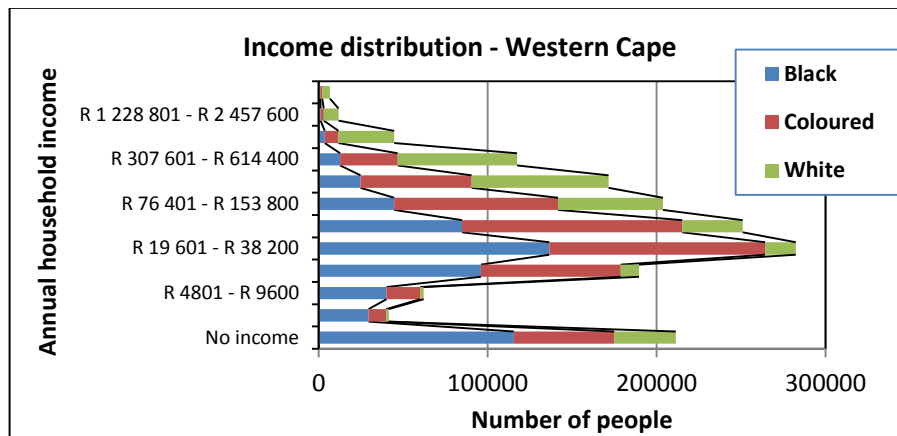


Figure 5B: Annual household income distribution according to race for the Eden District

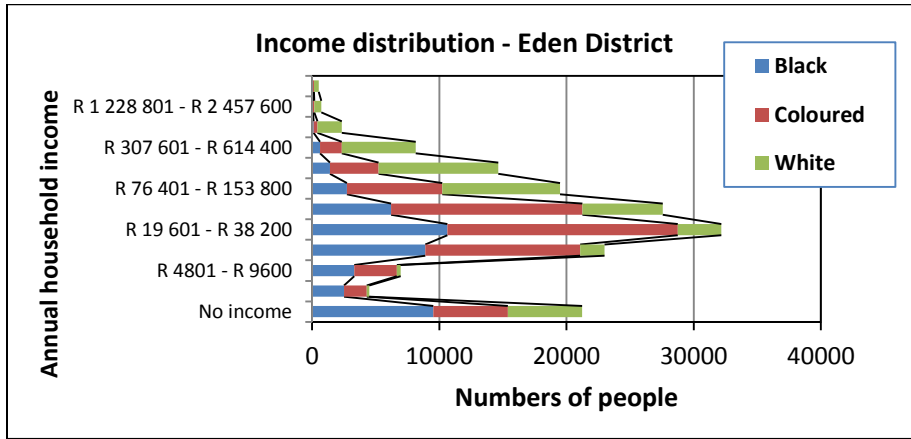


Figure 5C: Annual household income distribution according to race for George

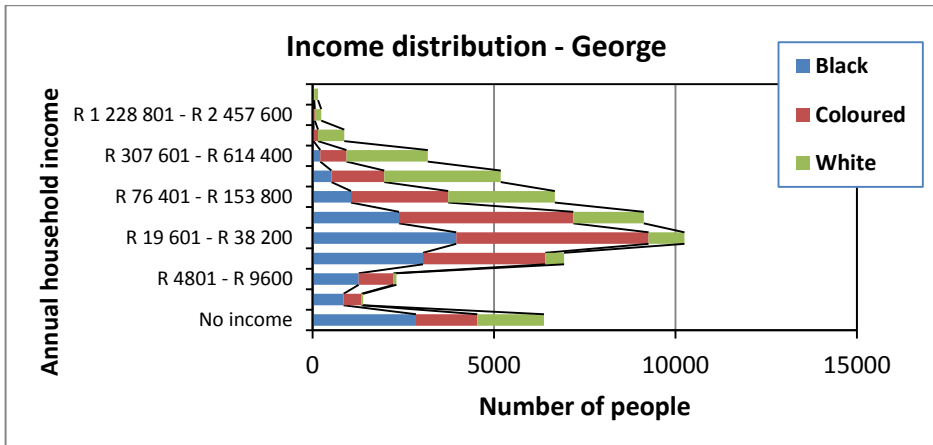


Figure 5D: Annual household income distribution according to race for George Non-Urban

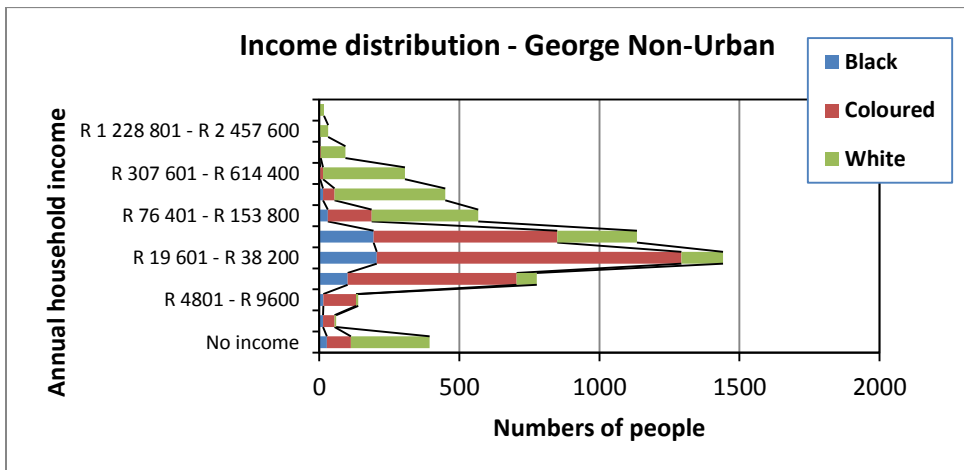
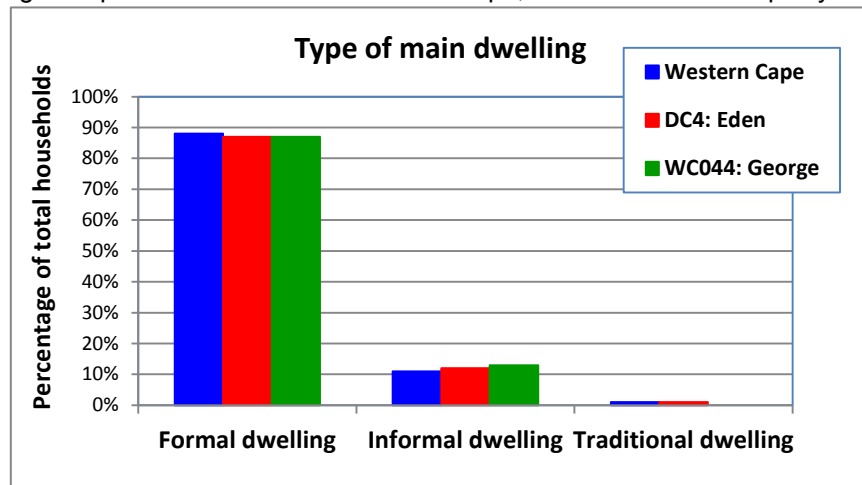


Figure 6 compares the type of main dwelling among the three geographic entities of the province district and local level. Again, there is no real difference between George and the other two entities. What is, however, noticeable is the fact that, on average, there are more people living in informal dwellings in George compared to the province and district. In 2001 there were 25 013 formal dwellings compared to 38 188 in 2011, but these figures included so-called ‘backyarders’. Informal dwellings grew from 3 474 to 5 558 over the same period.

Figure 6: Type of main dwelling: comparison between the Western Cape, Eden District Municipality and



George Municipality

## 5. Economic analysis

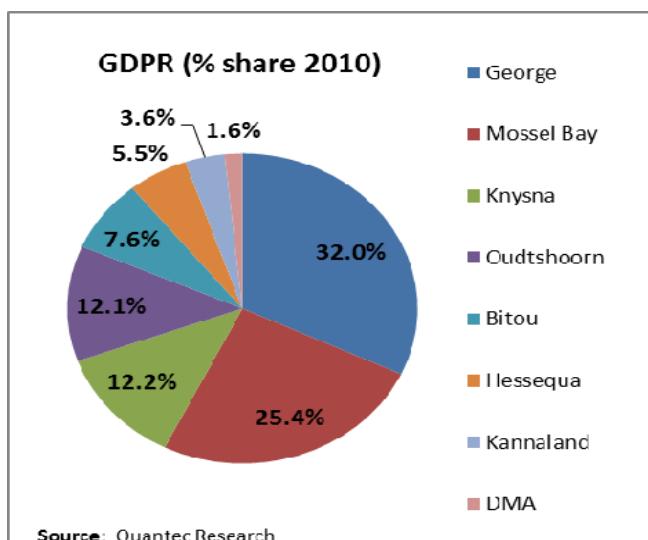
Intermediate cities tend to have narrow economic bases and specialised industries. Hence they face diverse processes of growth and decline, depending on the performance of their basic industries.<sup>35</sup>

The Eden District economy is the second largest of the district economies in the Western Cape outside of the Cape Metro, which produces 73% of the Western Cape gross domestic product per region (GDP-R). The Eden District accounts for 7.3% of the Western Cape GDP-R and 27.5% of the non-metropolitan GDP-R.

The value of the GDP-R generated during the 2010 calendar year amounted to R25.5-billion; the sub-regional breakdown of the GDP-R is depicted in Figure 7. George is by far the largest municipality in the Eden District. While its growth has been below par in the Eden District, it was in line with that of the Western Cape Province over the 2000s, i.e. 4.2% per annum.

<sup>35</sup> Msulwa R and Turok. 2012. Does density drive development? Urban transformation research project (UTRP). Witwatersrand University. p.15.

**Figure 7: Eden District: GDP-R sub-regional breakdown, 2010**



### 5.1.1 Gross value added (GVA) by different economic sectors

An analysis (Table 2) of the gross value added by different business sectors to the George economy<sup>36</sup> indicates that by 2011 the finance and insurance sector was by far the dominant sector in the economy. It added about half a billion rand per annum more than in 1996 to the George economy (Table 3). Financial courses offered by NMMU might have played a role in creating the capacity to deliver financial services. The success of this sector lends credence to the suggestion that George could endeavour to become a 'college town' and it raises the question why this sector has not received more attention in the development of LED strategies by the George Municipality as well as by the Eden District Municipality.

<sup>36</sup> Data for this analysis was obtained from Global Insight.

**Table 2: Gross value added from 1996 to 2011 by different business sectors to the economy of George**

Business sectors	GVA (2005 prices) rand million			% of GVA		
	1996	2001	2011	1996	2001	2011
Finance and insurance	168,255	260,661	729,769	5.81%	7.41%	12.64%
Retail trade and repairs of goods	233,019	368,262	507,032	8.04%	10.47%	8.78%
Real estate activities	291,163	330,713	407,246	10.05%	9.40%	7.06%
Construction	128,756	141,299	375,683	4.44%	4.02%	6.51%
Other business activities	104,316	167,897	357,791	3.60%	4.77%	6.20%
Food, beverages and tobacco products	200,555	230,207	316,484	6.92%	6.54%	5.48%
Furniture and other items NEC and recycling	170,889	213,249	284,155	5.90%	6.06%	4.92%
Public administration and defence activities	208,036	177,694	274,082	7.18%	5.05%	4.75%
Health and social work	138,953	158,949	240,364	4.80%	4.52%	4.16%
Education	195,908	180,827	226,370	6.76%	5.14%	3.92%
Post and telecommunication	54,769	105,854	225,443	1.89%	3.01%	3.91%
Agriculture and hunting	159,151	176,344	219,714	5.49%	5.01%	3.81%
Air transport and transport supporting activities	71,731	93,338	211,583	2.48%	2.65%	3.67%
Sale and repairs of motor vehicles, sale of fuel	62,664	90,196	211,071	2.16%	2.56%	3.66%
Wood and wood products	117,757	140,153	178,903	4.06%	3.98%	3.10%
Other service activities	119,582	124,728	142,022	4.13%	3.55%	2.46%
Hotels and restaurants	67,535	76,469	138,444	2.33%	2.17%	2.40%
Wholesale and commission trade	61,204	79,023	130,587	2.11%	2.25%	2.26%
Electricity, gas, steam and hot water supply	54,864	70,677	122,775	1.89%	2.01%	2.13%
Metal products, machinery and household appliances	71,891	77,492	122,525	2.48%	2.20%	2.12%
Land and water transport	46,015	64,652	80,387	1.59%	1.84%	1.39%
Forestry and logging	39,918	46,882	65,496	1.38%	1.33%	1.13%
Other non-metallic mineral products	51,815	47,188	61,141	1.79%	1.34%	1.06%
Fuel, petroleum, chemical and rubber products	26,684	42,313	57,078	0.92%	1.20%	0.99%
Textiles, clothing and leather goods	26,126	25,869	39,604	0.90%	0.74%	0.69%
Electronic, sound/vision, medical & other appliances	13,264	11,961	23,632	0.46%	0.34%	0.41%
Electrical machinery and apparatus	5,932	8,279	12,977	0.20%	0.24%	0.22%

Business sectors	GVA (2005 prices) rand million			% of GVA		
	1996	2001	2011	1996	2001	2011
Collection, purification and distribution of water	3,018	3,361	4,714	0.10%	0.10%	0.08%
Transport equipment	1,825	2,617	3,948	0.06%	0.07%	0.07%
Other mining and quarrying	1,846	654	648	0.06%	0.02%	0.01%
Mining of metal ores	59	82	153	0.00%	0.00%	0.00%
Fishing, operation of fish farms	13	12	16	0.00%	0.00%	0.00%
Mining of coal and lignite	0	0	0	0.00%	0.00%	0.00%
Mining of gold and uranium ore	0	0	0	0.00%	0.00%	0.00%
Total	2,897,512	3,517,900	5,771,840	100.00%	100.00%	100.00%

**Table 3: The GVA increases from 1996 to 2011 of different business sectors in the George economy in terms of 2005 rand**

Sector	Increase since 1996(R million)
Finance and insurance	561.5
Retail trade and repairs of goods	274.0
Other business activities	253.48
Construction	246.93
Post and telecommunication	170.67
Sale and repairs of motor vehicles, sale of fuel	148.41
Air transport and transport supporting activities	139.86
Real estate activities	116.08
Food, beverages and tobacco products	115.9
Furniture and other items NEC and recycling	113.27
Health and social work	101.41
Hotels and restaurants	70.91
Wholesale and commission trade	69.38
Electricity, gas, steam and hot water supply	67.91
Public administration and defence activities	66.05
Wood and wood products	61.15
Agriculture and hunting	60.56

Sector	Increase since 1996(R million)
Metal products, machinery and household appliances	50.6
Land and water transport	34.37
Education	30.46
Fuel, petroleum, chemical and rubber products	30.39
Forestry and logging	25.58
Other service activities	22.44
Textiles, clothing and leather goods	13.48
Electronic, sound/vision, medical and other appliances	10.37
Other non-metallic mineral products	9.33
Electrical machinery and apparatus	7.04
Transport equipment	2.12
Collection, purification and distribution of water	1.70
Mining of metal ores	0.94
Fishing, operation of fish farms	0.4
Mining of coal and lignite	0
Mining of gold and uranium ore	0
Other mining and quarrying	-1.20

The shifts in the GDP contributions are interesting. In 1996 the real estate sector and in 2001 the retail trade and repairs of goods dominated. Both these sectors were apparently hard hit by the economic slump after 2007. For instance, data obtained from a real estate agency<sup>37</sup> indicated that the total value of real estate transactions in a part of George declined from R105.5-million in 2007 to R58.5-million in 2008 and approximately R36-million in 2009. It has remained at this level or below until the present. The construction sector, however, did not follow the same trend; it strengthened after 2001. The agricultural and forestry sectors as well as sectors dependent on them (e.g. the food, beverages and tobacco products sector and the wood and wood products sector) have all regressed in importance since 1996.

As shown above, George and the surrounding region have a diversified economic base which, in addition to agriculture and tourism, is well developed with respect to industries, government and civil service functions, as well as financial, educational and medical services. George's integration with and proximity to the Garden Route enhances its tourism potential. This is also visible within a number of local municipalities, which have shifted their focus away from an industrial- and manufacturing-driven economy to tourism. The construction sector within the Eden District also contributes to employment and is almost

<sup>37</sup> Personal communication from a business person.

exclusively driven by the tourism industry and the building of second homes, holiday homes and low-cost houses. This industry continues to be the main driver of the strong local property market – which also benefits from the development of retirement villages.

Agriculture is another important sector in the economic base of the region, and shows high potential for the cultivation and agro-processing of high-quality products. Currently, a number of agricultural activities and products of the district have been destined for overseas markets, which increases the geographical gross product. However, isolation and high transport costs bedevil the success of exports of produce and products.

The nature of agricultural produce in the region is labour-intensive; it is, therefore, crucial that it continues to receive further support for its role in alleviating unemployment.<sup>38</sup> The main drivers and pressures on land are shown in Table 4. Protecting and maintaining the environmental quality of the region is a major consideration for dealing with land issues.

Compared to nearby Mossel Bay, George has a relatively small manufacturing base (accounting for only 15% of GDP-R), but it is comparable with the manufacturing sector of South Africa in general. However, manufacturing (shoes, wagons, furniture and other wood products) was significant in early George.<sup>39</sup> Against the historic picture, present manufacturing growth disappoints at 2.2% per annum, while the sector is also shedding jobs.

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<sup>38</sup> Donaldson R, Ferreira S and Spocter M. 2012. *Growth potential of towns in the Western Cape. Qualitative phase: unlocking latent potential and recommendations for appropriate interventions for regional development*. A research study undertaken for the Department of Environmental Affairs and Development Planning of the Western Cape Provincial Government.

<sup>39</sup> Van Waart S. 1998. *Outeniqualand: plek van melk en heuning*. JP van der Walt: Pretoria.

**Table 4: Main drivers and pressures on land<sup>40</sup>**

Land user	Drivers	Pressures
Human settlement	Population growth	Increased demand for housing Increase in infrastructure
	Economic growth	Increased demand for luxury housing Increased demand for recreational areas Holiday homes Infrastructure
	Lifestyle migration	General demand for housing and infrastructure Increased demand for specialised residential developments (specifically retirement villages and golf estates)
Agriculture	Population growth	Increased demand for land competes with agricultural use
	Economic growth	Demand for agricultural products
Forestry	Forestry management strategy	Phasing out marginal plantations
Natural areas	Nature conservation awareness	Development of private and public conservation areas
	Conservation policy	

George's service industries also grew more moderately than those of Mossel Bay, i.e. at an average annual rate of 4.6% and creating only 5 900 additional jobs during the 2000s. However, this job growth was sufficient to counter the lay-offs in the agriculture, forestry, fishing and manufacturing sectors. Overall employment expanded marginally by 0.3% per annum, on average.

The Growth Potential of Towns in the Western Cape (GPTWC) study lists George as a town (and municipality) with a very high growth potential, yet it would appear that its growth performance during the 2000s has not fully lived up to this potential.<sup>41</sup> George is strategically well positioned and it is contended in this paper that it deserves policy intervention for its role in the total spatial system of the Western Cape.

<sup>40</sup> Pauw J. 2009. Challenges to sustainability in the Garden Route: water, land and economy. NMMU, George Campus, p.34. <http://sru.nmmu.ac.za/sru/media/Store/documents/Publications%20and%20Reports/Pauw,-2009--Challenges-to-sustainability-in-the-Garden-Route---.pdf>. p.26.

<sup>41</sup> Western Cape Provincial Government Treasury. 2012. Municipal Economic Review and Outlook. Eden District. p.39.

An important feature of George is its non-contiguous location in relation to the main metropolitan core in the provincial spatial system.<sup>42</sup> In the revised Western Cape growth potential of towns study<sup>43</sup> George is classified as having a very high overall growth potential and is ranked as the individual settlement with the highest growth potential within the Western Cape (excluding the Cape Town Metropolitan area). It achieved a very high rating in the economic, infrastructure, and institutional thematic indices and a high rating for the human capital and physical indices.

On the economic index it achieved the highest overall score within the province and registered the highest score on three of the individual indicators forming part of this index (total personal income, value of property transactions, and the number of formal retail outlets and service sector businesses). The town is further characterised by high quality infrastructure and achieved high and very high scores on most of the individual indicators forming part of the infrastructure index.

The projected short-term shortfall of peak summer average daily water demand, considering internal reticulation storage, and the limited spare capacity of waste water treatment works are aspects of concern that may negatively affect future growth.

George also performed exceptionally well on the institutional index, although the reduction of basic infrastructure backlogs still remains a challenge. This is also reflected by the socio-economic needs index, in terms of which George is classified as having very high levels of socio-economic needs (expressed in absolute terms relative to the rest of the province).

## **5.1 The relationship between gross value added (GVA) and population size of towns/cities**

The relationship between economic value added and town/city population sizes is an aspect that was not investigated in the LED strategies of either the George Municipality or the Eden District Municipality. It deserves attention because it deals with the question of how George differs from small towns, large towns, other secondary cities as well as metropolitan cities.

The GVA and population numbers of George (for 2011) were, therefore, compared by the authors with those of the other towns of the Eden District Municipality (Mossel Bay, Bitou, Knysna, Oudtshoorn, Hessequa and Kannaland – see Figure 8A),<sup>44</sup> 21 other secondary cities studied by the South African Cities Network (Figure 8B),<sup>45</sup> and the eight metropolitan cities (Figure 9).

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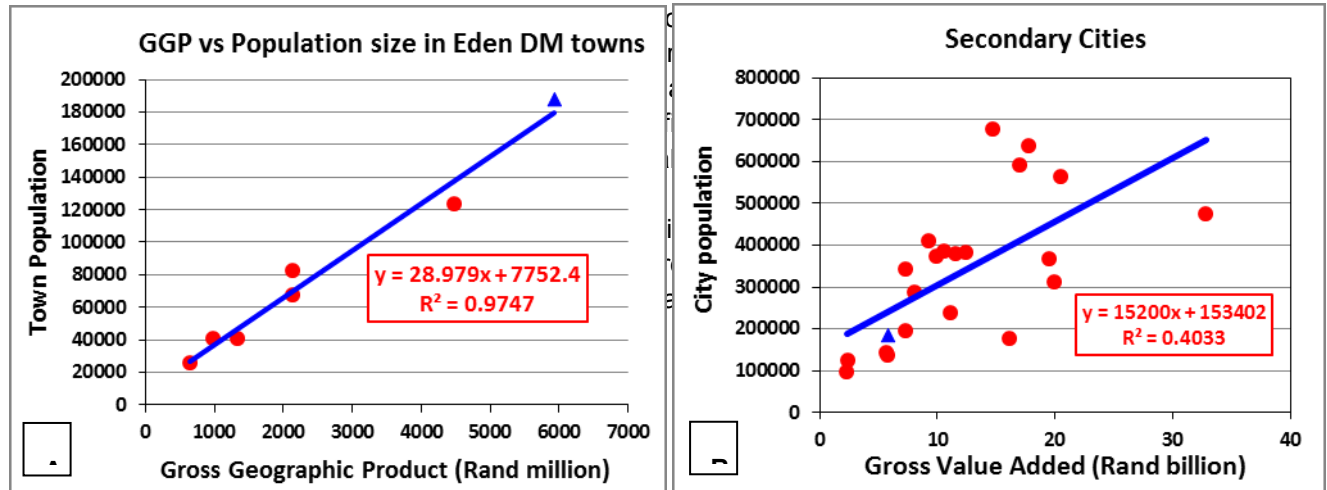
<sup>42</sup> Donaldson R, Ferreira S and Spocter M. 2012. *Growth potential of towns in the Western Cape. Qualitative phase: unlocking latent potential and recommendations for appropriate interventions for regional development*. A research study undertaken for the Department of Environmental Affairs and Development Planning of the Western Cape Provincial Government.

<sup>43</sup> Van Niekerk A and du Plessis D. 2013. *Growth potential of towns in the Western Cape. Quantitative analysis of growth potential at settlement and municipal level*. A research study undertaken for the Department of Environmental Affairs and Development Planning of the Western Cape Provincial Government.

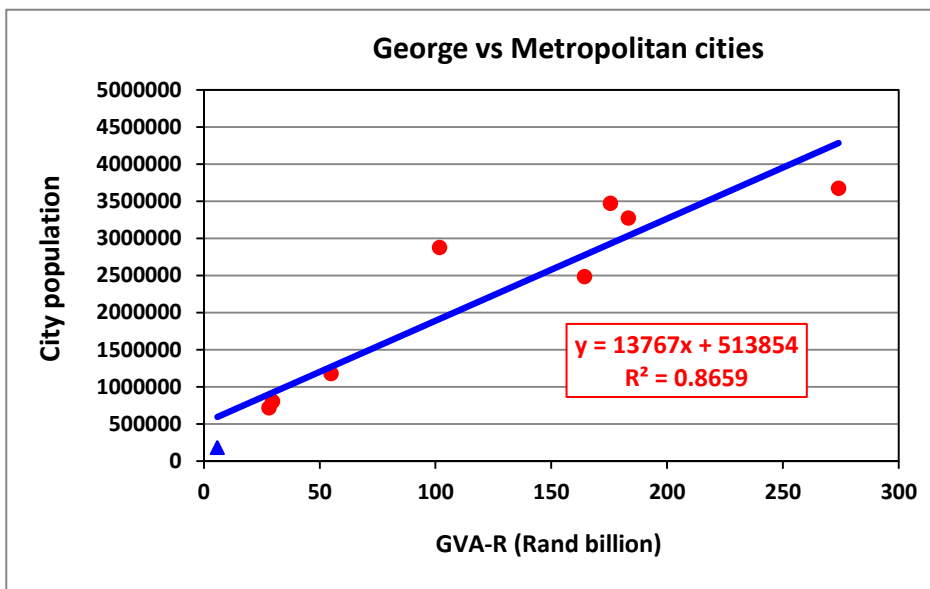
<sup>44</sup> Data obtained from Eden District Municipality. 2011. *Regional Economic Development Strategy*. pp.22–25.

<sup>45</sup> Data extracted from South African Cities Network. 2012. *Secondary cities in South Africa: the start of a conversation*.

**Figure 8: Comparison of the relationship of GVA and population numbers of George and the other towns of the Eden District Municipality (A) and George and 21 other secondary cities in South Africa (B). George is indicated by the blue triangles.**



**Figure 9: A comparison of the relationship of GVA and population numbers of George and eight metropolitan areas. George is indicated by the blue triangle.**

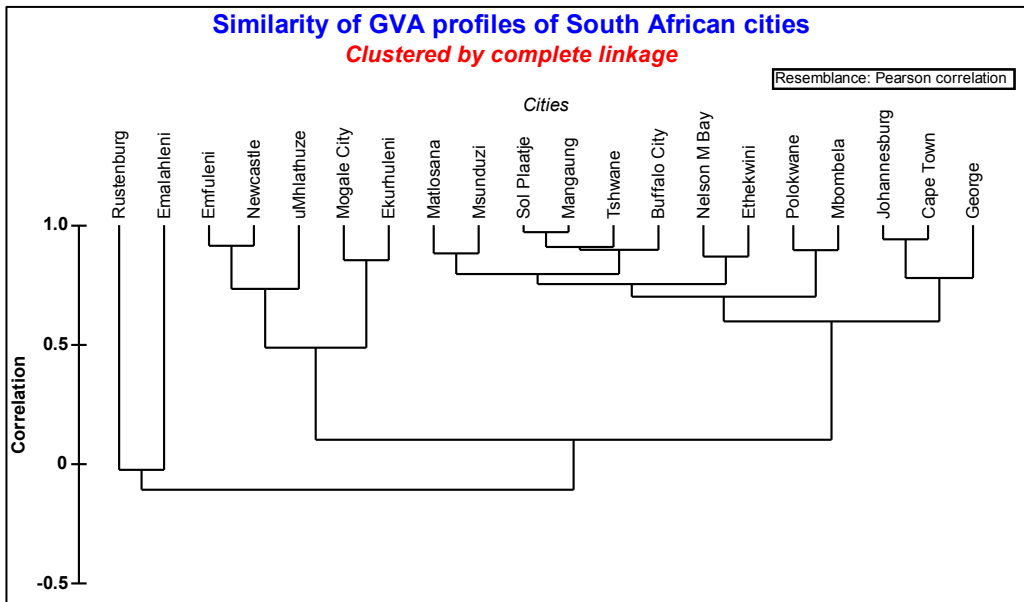


To better understand the differences of South African cities, detailed normalised GVA profiles of a number of cities<sup>46</sup> were used in a similarity cluster analysis (Figure 10). There are two outliers

<sup>46</sup> Data extracted from South African Cities Network. 2012. *Secondary cities in South Africa: the start of a conversation*.

(Rustenburg and Emalahleni) and two definite clusters of cities: the first – Emfuleni, Newcastle, uMhlatuze, Mogale City and Ekurhuleni; and the second – the rest with Johannesburg, Cape Town and George as a sub-cluster. The GVA profile of George is, therefore, very similar to that of Johannesburg and Cape Town and in all three the finance and insurance sector differentiated these cities from the rest.

**Figure 10: Cluster analysis of South African cities based on their gross value added (GVA) profiles. George cannot be differentiated from metropolitan cities on the basis of its GVA profile.**



## 5.2 Business overview

### 5.3.1 Formal business sector

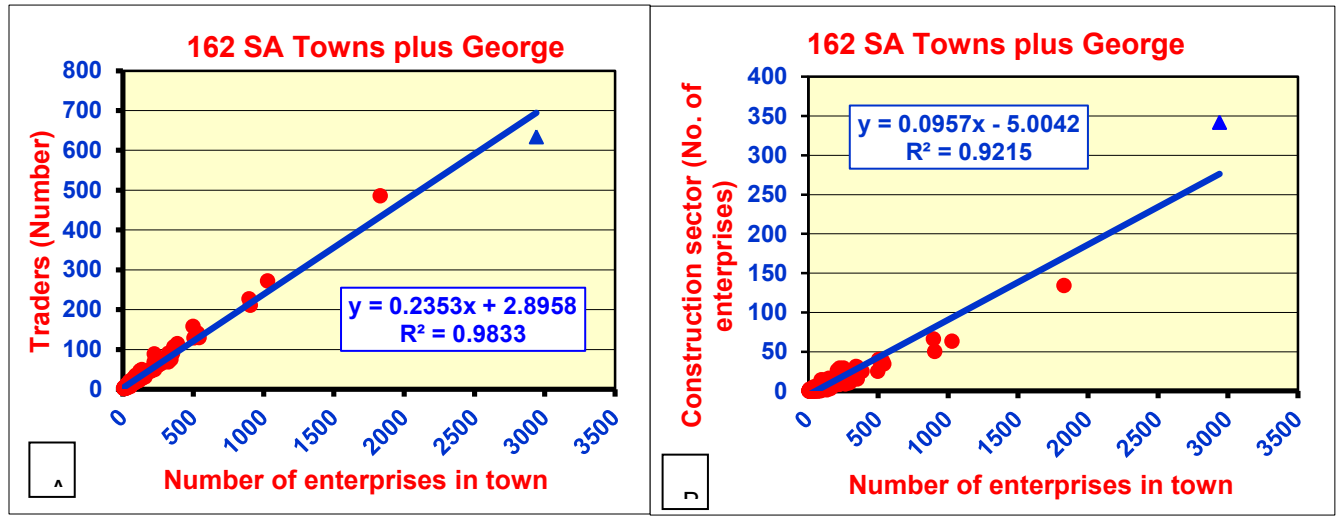
A preliminary study has been made by one of the authors of this report of 2 940 enterprises listed in the 2012/2013 telephone directory for George. Each enterprise was classified into one of 19 different business sectors, each sector's numbers were counted and a normalised enterprise structure was calculated. The profile was then used to compare George with information based on 162 different South African towns.

Earlier investigations by the Centre for Environmental Management of the University of the Free State have shown that certain business sectors in South African towns show very strong proportionalities between the number of sector enterprises and the total number of enterprises in towns<sup>47</sup>. If George as an intermediate city were significantly different from other South African towns, such differences should show up in proportionality comparisons. Two proportionality comparisons are given in Figure 11 as examples. The number of traders in George was in step with that of other towns, although it appeared to be somewhat lower than expected (Figure 11A). The number of construction enterprises was also in step but

<sup>47</sup> Toerien DF, Seaman MT. Proportionality in enterprise development of South African towns. S. Afr. J. Sci. 1012: 108(5/6), Art#588, 10 pages. <http://dx.doi.org/10.4102/sajs.v108i5/6.588>

appeared to be somewhat higher than expected (Figure 11B). However, on the basis of enterprise proportionalities, George does not appear to differ from small and large South African towns.

**Figure 11: Two examples of enterprise proportionalities in 162 South African towns plus George. Traders vs total number of enterprises (A) and construction enterprises vs total number of enterprises (B). George is represented by the blue triangles.**



This issue was further investigated by examining two aspects of large South African towns: (i) calculation of the correlations between the enterprise numbers of 19 different business sectors (independent variables) and the total enterprise numbers (independent variable) of a number of large towns (Mtubatuba, Thohoyandou, Harrismith, Parys, Phalaborwa, Upington, Bethlehem and Welkom) (Table 5), and, (ii) the enterprise composition of the 'average large town' calculated from the enterprise structures of the foregoing set of towns.

There was statistically significant proportionality ( $P < 0.05$ ) in 17 of the 19 business sectors. Only the agricultural products and services and mining sectors did not have proportionality. The enterprise data of George fitted in with the proportionalities reported for other South African towns. There does not appear to be any significant way in which George differs on this score from South Africans towns smaller than itself.

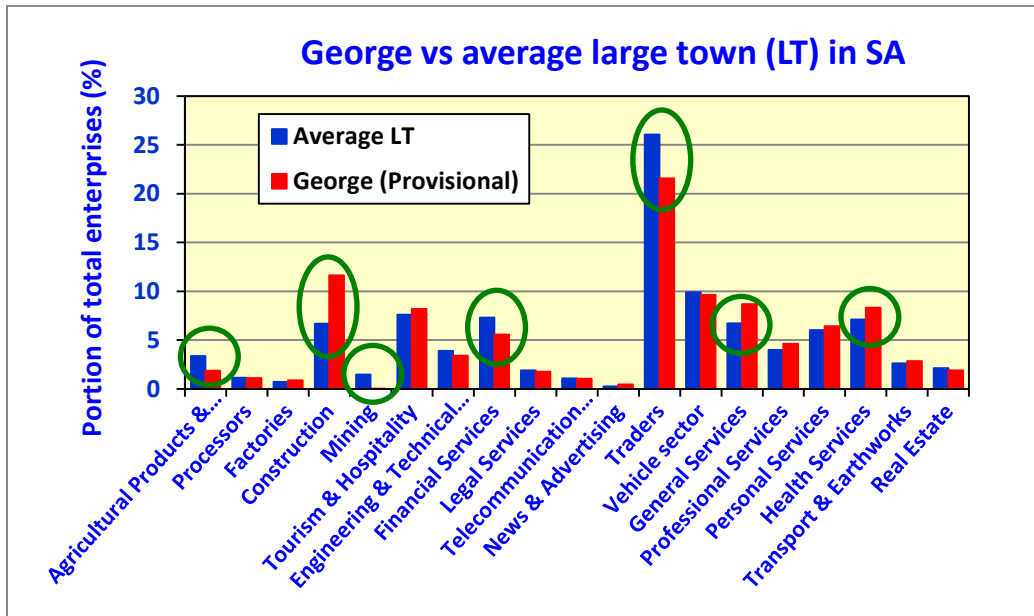
**Table 5: Correlations between the enterprise numbers of 19 different business sectors (dependent variables) and the total enterprise numbers (independent variable) for eight large South African towns and George (n = 9)**

<b>Sector</b>	<b>Correlation</b>
General services	0.99
Health services	0.99
Traders	0.99
Vehicle sector	0.99
Personal services	0.97
Construction	0.97
Financial services	0.97
News and advertising	0.96
Professional services	0.94
Transport and earthworks	0.93
Legal services	0.91
Telecommunication services	0.88
Real estate	0.88
Engineering and technical services	0.87
Tourism and hospitality	0.87
Factories	0.86
Processors	0.81
Agricultural products and services	0.52
Mining	0.26

To detect how George differs from other large South African towns the enterprise structures of the average large town and George were compared (Figure 12).

Some differences were visible (e.g. a stronger than expected construction sector and a weaker than expected trade sector) but these could be anticipated from the evidence presented earlier. The differences reflected no major way in which George differs from other large towns. This raises an important issue; namely, are intermediate cities really different at a basic level from either large towns or metropolitan areas, or is it merely a case of different scales?

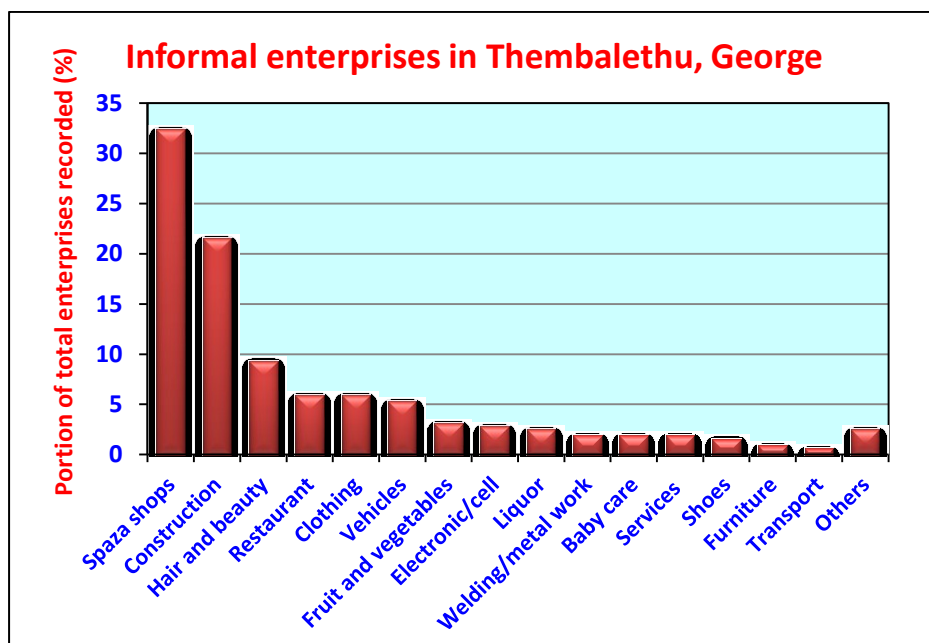
Figure 12: Comparison of the enterprise structure of George with that of an average large South African town. Green circles indicate differences



### 5.3.2. Informal business sector

By courtesy of Mr Alewijn Dippenaar of Octagonal, a number analysis was possible of a study done in 2011/2012 of 321 informal enterprises in Tembaletu, George. These numbers do not include all taxi operators and shebeens because some were not recorded. The results are presented in Figure 13.

**Figure 13: Business focus of 321 informal enterprises in Thembalethu, George (basic data courtesy of Octagonal)**



Seventy one per cent of the informal enterprises are owned by males. These enterprises are, in general, well known in the community and there is a trust relationship. Owners understand the needs of customers and adapt when necessary. Shops are usually open till late. There are mostly good relations between enterprise owners. Some shop owners organise to buy supplies in bulk. Many enterprise owners have practical business knowledge gained through experience. Most of these enterprises are located conveniently close to their customers.

A study, commissioned by George Municipality, into what people in various townships and previously disadvantaged areas buy and where they make their purchases also yielded important information.<sup>48</sup> There were 7148 respondents. Household incomes in Thembalethu, Pacaltsdorp, Blanco and Touwsranteen ranged from R2455 to R4097 per month and there was little correspondence between age and income or between time in an area and income. There was, however, a strong correlation between time in an area and employment (full-time and part-time).

Transport costs took up some 22% of monthly income. The vast majority of individuals (73.5%) used taxis for transport, followed by walking (40.18%) and use of own vehicles (21.75%). Phones (92%) and SMS messaging (71%) were used widely to communicate. The vast majority of respondents had a single phone and about 21% of respondents had more than one phone.

Despite the substantial burden of high travel costs, substantial purchases of some goods such as meat, groceries, fruit and vegetables were made outside of the residence area of purchasers, while others (hair care and buying of cell phone air time) were bought almost exclusively in the area of residence (Table 6).

<sup>48</sup> InstantAfrica.com. 2013. Presentation: Informal businesses in George. Study commissioned by the George Municipality.

There is a clear link between the types of informal enterprises and the purchasing behaviour of residents (Table 6).

**Table 6: Where residents of previously disadvantaged areas of George buy various items**

Item	Bought in area of residence	Bought outside area of residence
Fruit and vegetables	64%	36%
Meat	45%	55%
Hair care	91%	9%
Air time	94.4%	5.6%
Groceries	61%	39%

George Municipality and consultants have developed good insight into the informal sector of the George economy and in the incomes, needs and behaviour of people living in previously disadvantaged areas of the city.

### 5.3.3 Business/local government relations

The issue of relations between business and local government was probed in a number of ways. A representative of the George Chamber of Commerce ('Sakekamer') indicated<sup>49</sup> that, in general, there is a good working relationship with the municipality. A regular monthly meeting between the Chamber and the municipal manager helps to iron out problem areas and promotes cooperation. Municipal officials confirmed that there is a good working relationship between George Municipality and the business community.

The representative of the George Chamber of Commerce was also complimentary about the municipal Economic Development Unit and said that the Participatory Analysis of Comparative Advantage (PACA) process used in planning economic development had created trust. Municipal officials, in turn, applauded the way the public participated in the PACA process.

However, the representative of the George Chamber of Commerce was not complimentary about the local tourism office and did not comprehend why LED and tourism fall under different management structures within the Municipality. The person indicated that the Chamber and the Municipality are cooperating in scheduling training sessions in entrepreneurship, especially in areas where previously disadvantaged individuals live. However, political tensions tend to influence municipal affairs and also those of the business community, with the result that tensions may arise between the municipality and the business community. A case in point is a recent outcry about the renaming of a street in George to

<sup>49</sup> Personal communication from a business person.

honour Nelson Mandela and negative attitudes of some business people towards this plan. The tussles relate not only to party political positioning but also to relations between 'traditionalists' (long-time residents of George) and 'inkommers' (those who arrived in the past decade or so) in the business community.

Two successful businessmen, one an owner of a large retail outlet and the other the owner of a processing enterprise, also reflected positively about the municipality<sup>50</sup> and praised the fact that expertise levels remained high. One mentioned that service delivery has improved over the past few years, after it had deteriorated before that. Neither had any complaints about any part of the service delivery of the municipality. One mentioned that the municipality has a lot of property that could be developed and this aspect should receive attention, as well as the provision of reasonably priced stands for younger people who are struggling to make ends meet in George. Both were not impressed with the leadership of the tourism office. Tourism contributes substantially to the turnovers of these businesses and the decline in tourism has hit them hard. One suggested that there is a need for regional cooperation, focused on the tourism industry, while the other pointed out that little attention is paid to bringing 'new money' into the George economy, particularly through tourism. The one suggested that George should become the 'Majorca of South Africa', a place to which many visitors fly, to enjoy a relaxing holiday in a beautiful place with lots of things to do. He stated that: 'Tourism is the only thing you can export and still keep it in your hand.'

The separation of LED and tourism planning by George Municipality is an enigma to these businessmen. They feel that the loss of the Choo-Tjoe tourist train has been a disaster for George. In addition, one of the businessmen pleaded that George Municipality and the South African Police Services should ensure that visitors are safe in George, particularly in the central business district (CBD). A municipal official also mentioned the importance of tourism to the George economy; yet the adequacy of its tourism strategy remains a question mark.

A discussion with two managers of retirement villages revealed overall satisfaction with municipal services.<sup>51</sup> However, they were of the opinion that the municipality does not pay special attention to the needs of the elderly, e.g. by providing special off-ramps and walkways on pavements, etc. They stressed that George is attracting more and more elderly people who settle in retirement villages with frail care units and this population segment deserves more recognition, also from the municipality. They suggested that the impact of the personal incomes of the more affluent elderly white people on the local economy is not fully appreciated by councillors and municipal officials. To check this suggestion, the authors of this report did a short calculation to estimate the probable economic impact of elderly white people on the George economy (Box 1). This calculation showed that the personal income of the 65-year-old and older white group probably contributes in the order of half a billion rand annually to George's economy, an amount not to be sneezed at (e.g. total salary bill of George Municipality is about half of this amount, see Table 29).

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<sup>50</sup> Personal communications from business people.

<sup>51</sup> Personal communications from two people involved with retirement villages.

Box: 1. The economic impact of white retirees on the George economy (calculations by the authors)

The economic impact of white retirees was calculated as follows. First the number was determined of white persons who were more than 65 years of age, according to the 2011 Census for the George area (i.e. George proper, George non-urban, Wilderness, Wilderness Lake Area and Herold's Bay). This was equal to 6816 persons. This number was divided by two to give a rough (and conservative) estimate of the number of retired couples that live in the George area, which was multiplied with an estimate of the per capita income (R140,000) of the 65-year-old and older group of whites. The assumption was made that only one of a couple would have this income. The potential contribution of this group to the George economy is therefore some R477-million per annum.

A municipal official mentioned that George is one of the most rapidly growing areas in South Africa, is well managed and often the envy of other municipalities. It needs more investors, not only locally but also from the rest of the country. For instance, the development of the 'Eden Meander' has been a R500-million investment.

So, investor relations are important. Yet, the Moody's Investors Service recently downgraded the municipality of George.<sup>52</sup> This action, according to Moody's, reflected the marked deterioration in financial and debt metrics observed over the past few years. Moody's noted that the city's focus on capital expenditure has led to a material deterioration in its financial profile, as reflected by consistently large cash financing deficits. The city managed to cover financing requirements by making extensive use of financial leverage, thus pushing debt levels to R550-million or a high 72% of operating revenues in 2011 (from 32% in 2006) and by tapping large cash reserves accumulated over time. George Municipality will have to manage its debt situation very carefully.

On the whole, George Municipality appears to have good and productive working relationships with the business world and the public. In this respect, the municipality does differ from many smaller municipalities.

## 6. Employment

### 6.1 Formal Employment

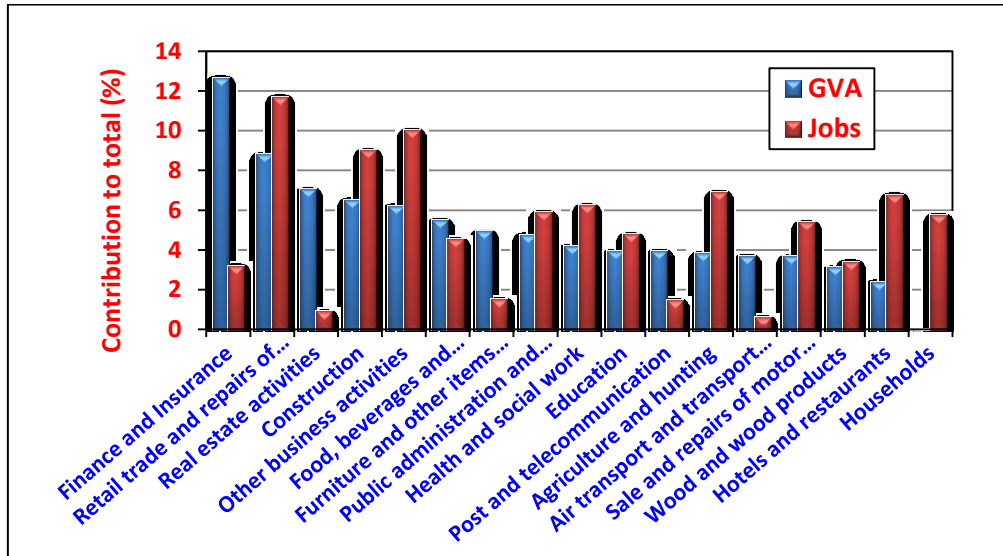
There were 50 405 persons in formal employment in George in 2011.<sup>53</sup> A breakdown of sector employment is given in Table 7. Seventeen sectors contributed at least 80% of the GVA and the formal employment in George in 2011 (Figure 14). There is a clear mismatch between value addition and employment in some sectors (e.g. finance and insurance; real estate activities; or construction) but not in others (e.g. food, beverages and tobacco products). Sectors that contribute more to the GVA than to employment are necessary to create the means to carry a sector such as the household sector that contributes nothing to the GVA but supplies 5.7% of the employment opportunities (Figure 14).

Some sectors have become more important over time, e.g. retail trade and repairs of goods while others declined in importance, e.g. agriculture (Table 8). Others have remained fairly constant in their contributions e.g. education.

<sup>52</sup> Business Report. 2013. Moody's downgrades. Accessed at: <http://www.iol.co.za/business/news/moody-s-downgrades-george-municipality-1.1201598#.ULuDUBCc1ws>

<sup>53</sup> Data obtained from Global Insight.

**Figure 14: Sectors that contributed in total at least 80% of the GVA and 80% of the formal employment in George in 2011**



Does the sector employment profile of George differ from that of other South African towns? We used normalised sector employment profiles of other secondary and metropolitan cities<sup>54</sup> in a clustering exercise to examine this question (Figure 15).

**Table 7: Formal employment in different sectors of George economy (in rank order of importance in 2011)**

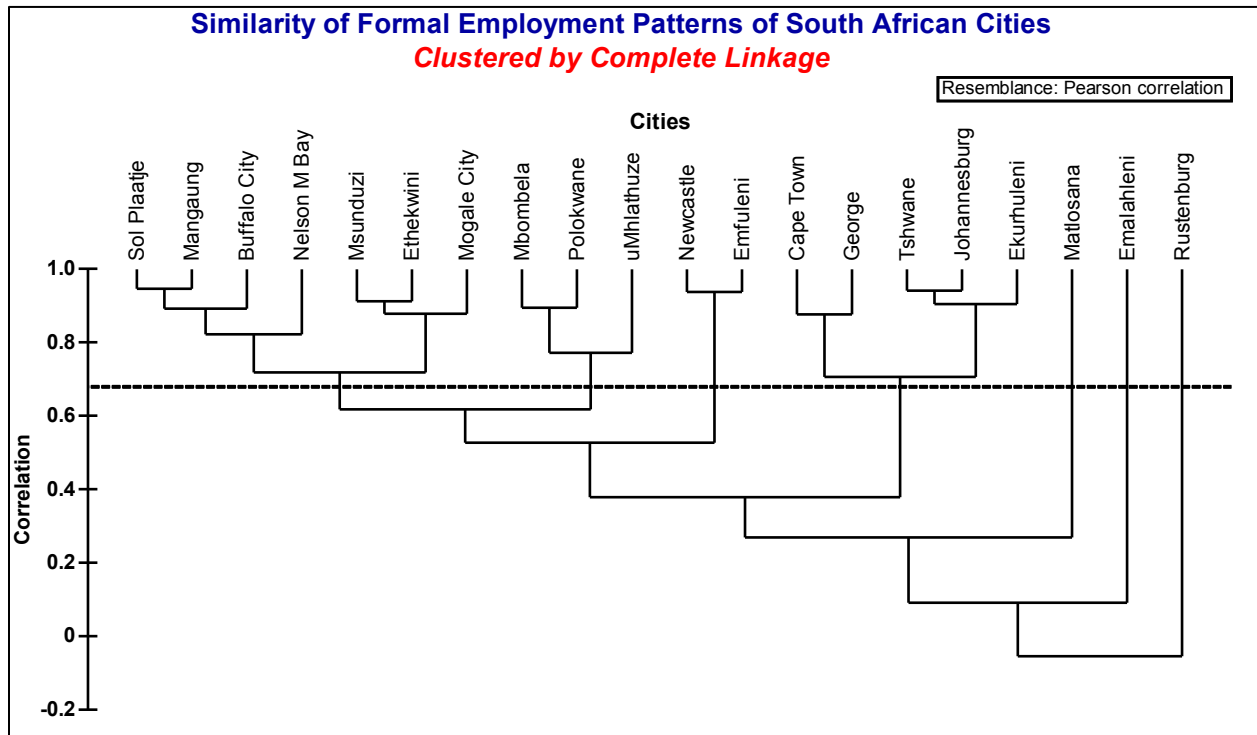
George	1996	2001	2011
Retail trade and repairs of goods	8.8	9.8	11.7
Other business activities	4.8	6.1	10.0
Construction	7.4	6.7	9.0
Agriculture and hunting	13.7	12.7	6.9
Hotels and restaurants	4.9	5.5	6.8
Health and social work	5.8	6.7	6.2
Public administration and defence activities	5.4	5.3	5.9
Households	8.7	7.5	5.7
Sale and repairs of motor vehicles, sale of fuel	4.0	4.5	5.4

<sup>54</sup> Data extracted from South African Cities Network. 2012. *Secondary cities in South Africa: the start of conversation*.

<b>George</b>	<b>1996</b>	<b>2001</b>	<b>2011</b>
Education	5.1	6.0	4.8
Food, beverages and tobacco products	4.6	3.6	4.5
Wood and wood products	4.6	4.8	3.4
Finance and Insurance	3.0	3.2	3.2
Wholesale and commission trade	2.3	2.6	3.1
Other service activities	2.3	2.4	2.2
Land and Water transport	2.2	1.8	1.8
Furniture and other items NEC and recycling	1.7	1.4	1.5
Post and telecommunications	1.3	1.3	1.4
Metal products, machinery and household appliances	1.2	0.9	1.1
Textiles, clothing and leather goods	2.3	1.8	1.0
Real estate activities	0.4	0.6	0.9
Other non-metallic mineral products	1.2	0.6	0.8
Forestry and logging	1.6	1.7	0.8
Air transport and transport supporting activities	0.7	0.6	0.6
Fuel, petroleum, chemical and rubber products	0.7	0.7	0.5
Electricity, gas, steam and hot water supply	0.7	0.6	0.4
Electronic, sound/vision, medical and other appliances	0.2	0.2	0.1
Electrical machinery and apparatus	0.2	0.2	0.1
Transport equipment	0.1	0.1	0.1
Other mining and quarrying	0.1	0.1	0.1

At a correlation level of 0.68, four clusters and three outliers (Rustenburg, Emalahleni and Matlosana) could be discerned. George and Cape Town had very similar formal employment profiles and was a sub-cluster of a larger cluster that also contained Tshwane, Johannesburg and Ekurhuleni. Sol Plaatje, Mangaung, Buffalo City, Nelson Mandela Bay, Msunduzi, eThekweni and Mogale City were in a second cluster. Mbombela, Polokwane and uMhlathuze formed the third cluster and Newcastle and Emfuleni formed the fourth cluster.

**Figure 15: Cluster diagram illustrating the similarities of formal employment profiles of South African secondary and metropolitan cities.**



Twelve business sectors provided at least 80% of the formal employment opportunities in George (Table 8). The same sectors provided almost 70% of the employment opportunities in Cape Town. The formal employment profiles of these two cities are very similar, as indicated by a correlation coefficient of 0.88 over the 35 business sectors listed in the dataset. In this regard, George does not differ from a metropolitan city (Cape Town) and probably reflects the fact that both are located on the southern shores of South Africa, where tourism is a significant economic driver.

**Table 8: Business sectors that contributed at least 80% of the formal employment opportunities of George and 70% of that of Cape Town in 2011**

<b>Sector</b>	<b>George %</b>	<b>Cape Town %</b>
Retail trade and repairs of goods	11.70	10.76
Other business activities	10.03	12.73
Construction	9.00	6.21
Agriculture and hunting	6.89	1.08
Hotels and restaurants	6.76	4.15
Health and social work	6.24	8.07
Public administration and defence activities	5.89	7.14
Households	5.72	5.53
Sale and repairs of motor vehicles, sale of fuel	5.37	3.97
Education	4.77	5.01
Food, beverages and tobacco products	4.52	2.77
Wood and wood products	3.39	2.52
<b>Total</b>	<b>80.28</b>	<b>69.94</b>

## 6.2 Informal Employment

A database of people active in informal employment in South African cities was examined.<sup>55</sup> George had close on 2 900 people in this sector (Table 9).

**Table 9: People active in the informal sector of George**

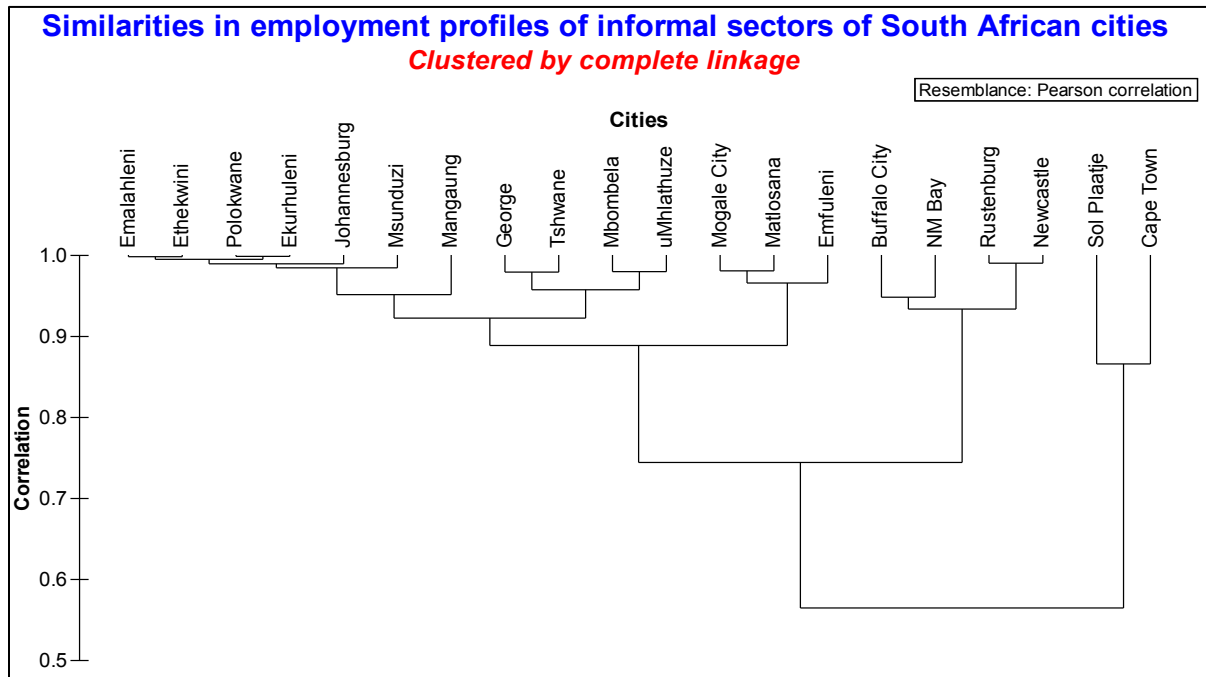
Sector	Number of people
Manufacturing	353
Construction	646
Trade	878
Transport	309
Finance	284
Community services	410
Total informal sector	2 881

The database also provided the numbers of people active in the informal sector of other South African cities. We normalised these figures (as percentages of the total informal employment per city) and did a cluster analysis to detect similarities in the informal sector employment profiles of the cities (Figure 16). George clustered together with Tshwane, Mbombela and uMhlathuze.

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<sup>55</sup> Data provided by Global Insight.

**Figure 16: Similarities in the informal employment profiles of South African secondary and metropolitan cities**



The high level of correlation among towns in Figure 16 suggests that where poverty reigns, entrepreneurs tend to focus on business opportunities focused on basic needs and opportunities.

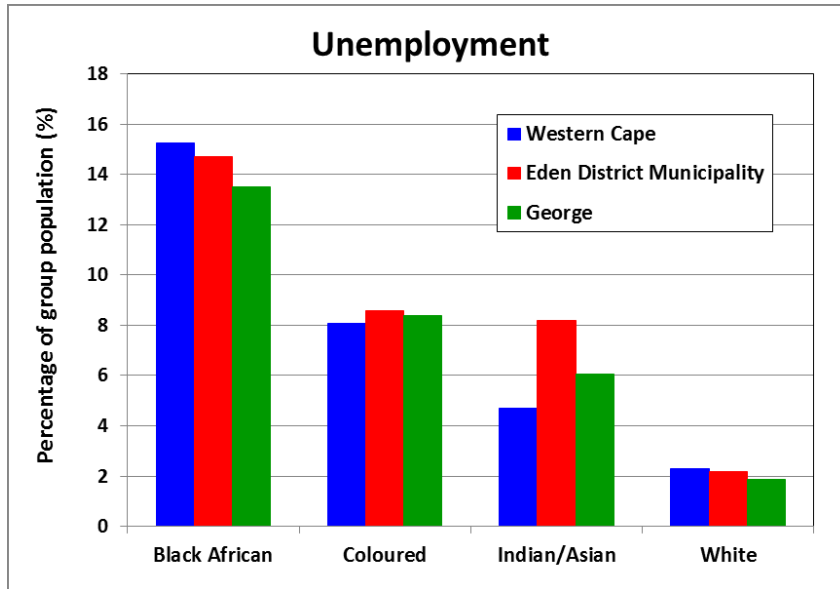
### 6.3 Unemployment

Unemployment numbers for blacks resident in George in 2011 was 7 399, and a further 2195 were discouraged job seekers. For coloureds the same figures were 8187 and 2670 respectively and for whites 706 and 215. Indians form a small portion of the total population and for them the respective numbers were only 56 and 18.

Black and white unemployment rates in 2011 were lower in George than those of the Western Cape and Eden District Municipality, but coloured unemployment was marginally higher (Figure 17). Indian unemployment was somewhat higher than that of the Western Cape but lower than that of Eden District Municipality; however, it was from a low base, given the fact that there are not many Indians in George or the Eden District Municipality.

It is clear that unemployment in especially the black and coloured communities is a concern; an issue that has attracted management attention, as discussed later.

Figure 17: Unemployment in George in 2011



## 7. Social issues

### 7.1 Human development

The Human Development Index (HDI)<sup>56</sup> in the George municipal area in 2010 was 0.68. Compared to Knysna (0.73) and Mossel Bay (0.75) George possibly reflects negatively because of the differences in the economic structure and higher per capita income levels in the neighbouring towns – Mossel Bay has a significant employment base, with PetroSA, which employs highly skilled technical workers and Knysna’s tourism market, which leans towards the high-end tourist and thus also potentially employs more highly skilled staff at higher rates.<sup>57</sup>

Trends and threats identified by George Municipality regarding the social environment are mostly related to migration and population growth trends (Box 2).

<sup>56</sup> The Human Development Index (HDI) is a composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is, thus seen as a measure of people’s ability to live long and healthy lives, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.

<sup>57</sup> George Municipality. 2013. Economic development profile, prepared by the Economic Development Unit, George Municipality. p.6.

## Box 2: Social environment trends and threads<sup>58</sup>

- The annual population increase in George is currently about 4 500 people per year, taking into account higher Aids-related mortality rates, continued in-migration or retirees from the Northern provinces and continued (but slightly lower) black in-migration from the Eastern Cape. The total population of George is growing at a higher rate than the average rates of the Western Cape, the Eden District and even that of the Cape Town Metropolitan area;
- The annual increase in the local labour supply should be about 2 400, which has to be added to any job losses in order to get the total annual 'need' for new jobs;
- A 3.8% net population increase translates into an annual net additional demand for about 1 500 dwelling units. This places increasing pressure on the environmental resources to sustain the population increase;
- The black population is growing at a faster rate than anticipated. The growth rate between 1996 and 2001 was 10.1% per annum or 62% in five years. At this growth rate, the said population group will double in just over six years;
- Lack of specific skills and only a secondary-school education for the bulk of its population are serious constraints in George's role as a business hub for the Southern Cape;
- The number of households with no income at all or in the lowest income groups have grown at an alarming rate since 1996 and the economy is not in a position to absorb new migrants with lower levels of skills;
- There will be greater pressure for the provision of housing and basic services.
- Unemployment and poverty is becoming a major challenge in George.
- Housing delivery has not kept pace with the high growth in the informal areas. Should the current trends be maintained, it is anticipated that, over time, there will be an increasingly greater percentage of people who are indigent.

Unemployment Insurance Fund (UIF) data suggests that the impact of the recession, as measured by the flow into unemployment relative to 2007, has been somewhat more severe in the Eden District than in the province as a whole. During 2009, the quarterly flow into unemployment was almost 90% higher, on average, than in 2007.<sup>59</sup> George Municipality offers additional social support through its indigent policy. The indigent policy provides free and discounted rates on basic services such as water, electricity, sanitation, refuse and property rates. In 2012 there were 14 345 households registered as indigent and this number increased by 1 278 to 15 623 in 2013.<sup>60</sup> There are five major social security grants (old age, disability, foster care, care dependency, child support) in South Africa and each grant is dependent on an income-based means test. The grants are implemented and administered by a separate national government agency, the South African Social Security Agency (SASSA) and unfortunately recent figures could not be obtained from the SASSA branch in George.

<sup>58</sup> George Municipality. 2013. Water Services Development Plan 2013/2014. p.10.

<sup>59</sup> Western Cape Government: Provincial Treasury. 2012. Municipal economic review and outlook.

<sup>60</sup> Information obtained from George Municipality.

Social development projects typically initiated in municipalities and cities in the country also feature in George and its hinterland. We assume that the budget of these development projects are also typically minimal, compared to other departments. The social development department of George Municipality strives to create an environment conducive to the enhancement/improvement of the quality of the life of people in the different communities of George. All projects and programmes are in alignment with municipal, government policies and strategic plans and implemented through co-ordination/formation of partnerships/networks with government departments, NGOs and other stakeholders, to prevent duplication along all spheres. The George Municipality is conscious of the challenges of poverty in the area and strives to contribute towards the alleviation thereof by means of, e.g. an indigent policy, local labour promotion projects, LED projects and use of supply chain management policy as an instrument to enforce the maximum use of local labour. Initiatives toward alleviation of poverty, increasing employment opportunities and facilitating broader participation within communities at local level, especially those previously marginalised from mainstream economic activity, are regarded to be of even greater importance than promotion of economic growth and wealth creation.<sup>61</sup>

The current focus is on social issues of street persons, the youth, gender and disability and HIV/Aids development. None of these plans really have a spatial imprint and this remains largely programmatic. Of note here is that three of the five towns in the Western Cape Province with the highest incidence of HIV/Aids are within the boundaries of Eden (Eden District Municipality IDP, 2005). George municipal area had a 13.3% HIV prevalence among pregnant women in 2004. The 2011 statistics show George's HIV prevalence among pregnant women at 20.8%, which is higher than the Eden district (15.9%) and the province (15.9%).<sup>62</sup> Through interviews it was explained that the high percentage is attributed to the high level of migration into George; and the high urbanisation rates in George. Also stated (but not recorded in any report) is the shockingly high treatment default. Once positive testing drops, recipients of treatment no longer receive grants, so many default in order to again qualify for social grants.

Naturally, HIV/Aids may have a negative impact on the growth of the city. However the strategies in place to reduce the level of infection are commendable. At present, HIV counselling and testing is done at mobile sites; there are exhibitions at taxi ranks in Thembalethu, Blanco and Conville; and in all areas information sessions are held, and condoms are distributed and their use demonstrated. These programmes are rolled-out in conjunction with the Department of Health. Twenty peer educators assist the HIV/Aids office with door-to-door health assessments and the programme is in the process of being registered as an Extended Public Works Programme (something unique, nationally). In addition, the municipality has a memorandum of understanding with the Sex Workers Education and Advocacy Taskforce(SWEAT) to educate sex workers on their rights, their safety and health. Six sex worker peer educators are currently conducting programmes at all the hotspots.<sup>63</sup>

George's well-developed private health services have partly evolved because of the influx of high-income (pre-) retirees into the Southern Cape and the ability of that segment of the population to afford top-class facilities. George also plays an important role as a regional (Southern Cape) health-service centre. These facilities are, however, not necessarily available to low-income households, who need basic services.

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<sup>61</sup> George Municipality. 2013. Water Services Development Plan 2013/2014. p.11.

<sup>62</sup> George Municipality. 2013. Economic development profile, prepared by the Economic development unit . p.4.

<sup>63</sup> George Municipality. 2013. Report on the Social Development Section. Social Development Department, 29 July 2013.

Health services at outlying places in the George municipality are far less developed, in particular in rural settlements, and will thus need special attention in the future. Existing demands for social facilities are not met, largely as a result of funding constraints. George's health-services sector is, in many ways, a regional facility, with the capacity strained by much more than just local demand.

The social geography of affluence and poverty, as experienced in most South African cities and regions, is also very prevalent in the Eden District. Most municipalities and towns in the Eden District are characterised by high levels of inequality, with widespread poverty and unemployment co-existing with pockets of opulent residential areas. The racial geography of living areas is also very much intact, according to respondents. However, the 2011 Census (Table 10) shows that, according to population group and suburb, there are a number of areas where there has been quite substantial integration, such as Glenwood, Groeneweide Park, George Central, Blanco and Fancourt. (Fancourt's higher percentage of non-whites is probably due to the big labour force staying on the estate.)

According to interviews, there have been very few political protests in the city over the past five years and, to them, this is indicative of stability in governance and an attitude of tolerance among the residents.

**Table 10: Population group per residential area (source: 2011 Census)**

Residential area	% of person weighted per population group				
	Black	Coloured	Indian or Asian	White	Other
Denneoord	4	2	1	91	2
Fernridge	2	4	-	90	4
Campher's Drift	4	5	2	87	2
Glen Barrie	2	4	-	92	2
Heatherlands	3	4	0	91	1
Heather Park	2	4	0	93	1
<b>Blanco</b>	<b>6</b>	<b>68</b>	<b>0</b>	<b>24</b>	<b>1</b>
<b>Fancourt Golf Estate</b>	<b>35</b>	<b>5</b>	<b>1</b>	<b>58</b>	<b>-</b>
Kingswood Golf Estate	2	1	0	96	-
<b>King George Park</b>	<b>4</b>	<b>16</b>	<b>0</b>	<b>78</b>	<b>1</b>
<b>George Central</b>	<b>11</b>	<b>16</b>	<b>1</b>	<b>67</b>	<b>5</b>
Bodorp	5	8	1	85	1
Bergsig	3	3	0	90	3
Twee Rivieren	3	5	-	90	2
Denvar Park	1	1	0	97	-
Eden George	5	2	3	81	9
Loerie Park	2	4	1	92	1
Eastern Ext	3	4	1	92	0

Residential area	% of person weighted per population group				
	Black	Coloured	Indian or Asian	White	Other
Levallia	9	86	1	1	2
<b>Glenwood AH</b>	<b>2</b>	<b>44</b>	<b>1</b>	<b>52</b>	-
Dormehls Drift	7	11	1	79	2
George South	8	11	1	78	3
<b>Rooirivier-Rif</b>	<b>26</b>	<b>7</b>	<b>0</b>	<b>64</b>	<b>2</b>
<b>Groeneweid Park</b>	<b>15</b>	<b>40</b>	<b>1</b>	<b>42</b>	<b>2</b>
George SP2	7	85	-	8	-
Rosemoor	7	92	0	1	1
Conville	4	94	1	0	0
<b>George Industria</b>	<b>5</b>	<b>16</b>	-	<b>74</b>	<b>5</b>
Borcherds	11	88	0	0	1
Parkdene	5	94	0	0	1
Ballotsview	14	81	1	2	1
Lawaaikamp	83	12	0	0	5
Deville Park	8	88	1	1	3
Pacaltsdorp	5	93	1	1	1
New Dawn City	6	93	0	0	0
Sea View	9	89	0	1	2
Thembaletu	93	6	0	0	1

## 7.2 Crime in the George Area

Crime statistics are released separately by the South African Police Service for George, Thembaletu and Uniondale.<sup>64</sup> A combination of these (Table 11) shows that most types of crime showed a slight downward trend over the past years. The exceptions are sexual crimes and robberies/burglaries of all kinds. The steady increase of drug and liquor-related crimes in the George area is a worrying phenomenon that should be actively addressed in concert by the SAPS and the municipality. Carjacking and robbery at houses are crimes typical of metropolitan areas and are scarce in George.

<sup>64</sup> South African Police Services. 2012. Crime Research and Statistics: Crime in George (WC) for April to March 2003/2004 – 2011/2012.

**Table 11: Crime statistics over nine years for the George area**

Crime category	April 2003 to March 2004	April 2004 to March 2005	April 2005 to March 2006	April 2006 to March 2007	April 2007 to March 2008	April 2008 to March 2009	April 2009 to March 2010	April 2010 to March 2011	April 2011 to March 2012
Murder	44	52	49	61	59	64	42	49	43
Total sexual crimes	211	231	210	216	230	195	230	278	287
Attempted murder	26	34	9	14	11	11	13	19	20
Assault with the intent to inflict grievous bodily harm	830	788	662	647	687	681	635	631	701
Common assault	1 076	1 126	766	801	770	710	593	839	780
Common robbery	113	133	112	116	135	151	131	136	141
Robbery with aggravating circumstances	71	48	39	54	73	74	61	99	148
Arson	29	19	17	12	11	13	18	16	20
Malicious damage to property	571	588	532	559	556	478	416	443	439
Burglary at non-residential premises	464	340	304	320	390	344	363	412	402
Burglary at residential premises	1 106	945	979	896	948	991	970	1 172	1 165
Theft of motor vehicle and motorcycle	175	155	157	102	91	112	72	74	72
Theft out of or from motor vehicle	657	667	558	498	597	508	522	687	673
Stock-theft	106	86	48	62	59	59	62	61	51
Illegal possession of firearms and ammunition	11	29	26	27	26	19	21	23	18
Drug-related crimes	324	517	726	841	889	984	1 041	1 188	1 263
Driving under the influence of alcohol or drugs	199	199	338	505	650	520	556	583	520
All theft not mentioned elsewhere	2 431	2 535	1 722	2 025	1 793	1 670	1 441	1 646	1 652
Commercial crimes	250	244	163	186	222	227	270	273	224
Shoplifting	546	525	530	602	519	562	700	511	450
Carjacking	1	1	2	2	2	2	1	1	1
Truck hijacking	0	0	0	0	0	0	0	0	0
Robbery at residential premises	6	1	0	1	8	6	9	16	14
Robbery at non-residential premises	4	1	1	0	5	5	6	19	25

Crime category	April 2003 to March 2004	April 2004 to March 2005	April 2005 to March 2006	April 2006 to March 2007	April 2007 to March 2008	April 2008 to March 2009	April 2009 to March 2010	April 2010 to March 2011	April 2011 to March 2012
Culpable homicide	29	28	35	42	30	31	29	24	25
Public violence	1	4	5	8	6	7	1	3	4
<i>Crimen injuria</i>	258	267	208	263	206	174	131	225	205
Neglect and ill-treatment of children	32	31	33	27	23	33	18	26	32
Kidnapping	4	4	0	7	3	2	1	4	2

The most frequent crimes in the George area in 2011/2012 are listed in Table 12. Twelve types of crime contributed to more than 90% of all crimes. Thefts, burglaries, drug and liquor-related crimes, and assaults played prominent roles. The concerns of business leaders about the safety of residents and visitors are well founded. The common trend in metropolitan areas of privatisation of security spaces – such as city improvement districts (CIDs), car guard systems, and closed circuit television (CCTV) systems – is unheard of in George.

**Table 12: The most prevalent crimes in the George area**

Type of crime	No. in 2011/12	Cumulative %
All theft not mentioned elsewhere	1652	17.6
Drug-related crimes	1263	31.1
Burglary at residential premises	1165	43.5
Common assault	780	51.8
Assault with the intent to inflict grievous bodily harm	701	59.3
Theft out of or from motor vehicle	673	66.5
Driving under the influence of alcohol or drugs	520	72.0
Shoplifting	450	76.8
Malicious damage to property	439	81.5
Burglary at non-residential premises	402	85.8
Total sexual crimes	287	88.9
Commercial crimes	224	91.2

Some crimes are more prevalent in certain areas of George than others (Table 13), e.g. murders, sexual crimes and assault to inflict grievous bodily harm in Thembalethu; common assault, robbery with aggravating circumstances, malicious damage to property and burglaries in George; and stock theft in Uniondale. These differences need to be factored into effective policing.

**Table 13: The prevalence of different types of crime in different parts of the George area**

Type of crime	George	Thembaletu	Uniondale
Murder	39.5	53.5	7.0
Total sexual crimes	40.1	49.5	10.5
Attempted murder	30.0	60.0	10.0
Assault with the intent to inflict grievous bodily harm	29.5	51.4	19.1
Common assault	52.8	27.3	19.9
Common robbery	45.4	52.5	2.1
Robbery with aggravating circumstances	54.7	43.9	1.4
Arson	50.0	50.0	0.0
Malicious damage to property	67.2	22.1	10.7
Burglary at non-residential premises	84.3	6.5	9.2
Burglary at residential premises	74.2	21.0	4.8
Theft of motor vehicle and motorcycle	69.4	27.8	2.8
Theft out of or from motor vehicle	91.1	6.8	2.1
Stock-theft	27.5	15.7	56.9
Illegal possession of firearms and ammunition	33.3	55.6	11.1
Drug-related crime	54.2	28.4	17.3
Driving under the influence of alcohol or drugs	58.3	38.3	3.5
All theft not mentioned elsewhere	87.0	8.5	4.5
Commercial crime	97.3	2.2	0.4
Shoplifting	98.9	0.7	0.4
Carjacking	0.0	100.0	0.0
Truck hijacking	0.0	0.0	0.0
Robbery at residential premises	85.7	14.3	0.0
Robbery at non-residential premises	24.0	68.0	8.0
Culpable homicide	76.0	12.0	12.0
Public violence	25.0	75.0	0.0
<i>Crimen injuria</i>	54.6	31.2	14.1
Neglect and ill-treatment of children	40.6	59.4	0.0
Kidnapping	0.0	100.0	0.0

## 8. Natural resources and the environment

George is located in a vast and diverse geographic area that extends from the dry and climatically extreme Little Karoo in the north, to the wetter, more temperate Garden Route in the south. It is an area of considerable natural assets and beauty, including expansive mountains and forests, wilderness areas, a varied coastline, and extensive lakes, rivers and estuaries. Its natural assets include parts of the Garden Route National Park and the Baviaanskloof Wilderness Area. The municipal area also includes fertile farmlands and timber plantations along the coastal plain, fruit orchards in the Langkloof and arid grazing areas in the Little Karoo. It is a biodiversity hotspot.

The Eden District Municipality *State of the Environment Report* (2007) that was drafted during the preparation of the 2006/2007 IDP, together with the spatial development framework (SDF) for Eden and the IDPs of the Eden District municipality and the various local municipalities confirm, among other issues the following three things: Eden District municipality comprises unique natural attributes that justify its status as a national asset; the natural environment and its resources of the Eden District municipality are sensitive and susceptible to over-exploitation or inappropriate use; and the Eden District municipality includes natural ecosystems and habitats that are of global importance.<sup>65</sup> Therefore, the need for George to focus on its natural environment, wise management of natural resources and preservation of the natural environment are seen as major priorities for the city in all the relevant statutory documents such as the IDP, LED and SDF.<sup>66</sup> Spatial planning and land-use management decisions must, by law, take into account the biodiversity of an area. A general lack of co-ordination of development and land use on a bioregional level was identified in the late 2000s and the need became clear for an integrated planning framework, within which government, community, corporate, and other private interests would share responsibility for co-ordinating planning for both public and private land-use.

Since then, the broader Garden Route's biodiversity has been researched to determine the spatial arrangement of plants, animals, rivers, wetlands and their interactions and functioning. Based on this information, areas have been categorised and prioritised according to their biodiversity value and requirement for safeguarding. They have also identified areas of lesser biodiversity importance, as well as those sites which have insignificant biodiversity remaining after intensive development, e.g. housing, plantation forestry or ploughing for the cultivation of agricultural crops. The Biodiversity Sector Plan provides a synthesis of prioritised information to planners and land-use managers, enabling the integration of biodiversity into land-use planning and decision-making. It identifies those sites that are critical for conserving biodiversity and, in this way, facilitates the integration of biodiversity into decision-making (i.e. mainstreaming biodiversity).<sup>67</sup> There are several national, provincial and local policies and programmes in place to address the issue of sustainable land use. A comprehensive list of these responses and descriptions of the objectives of each can be found in Eden District Municipality's *State of the Environment Report* (2005) and *Growth and Development Strategy* (2007). These responses address the need to conserve biodiversity and control alien plant invasion and to protect agricultural land. The

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<sup>65</sup> Eden District Municipality. 2007. Integrated development Plan 2007–2011.

<sup>66</sup> George Municipality. 2013. Participatory appraisal of competitive advantage (PACA). Economic development initiative.

<sup>67</sup> Vromans DC, Maree KS, Holness S, Job N and Brown AE. 2010. The Garden Route Biodiversity Sector Plan for the George, Knysna and Bitou Municipalities. SANPARKS et al. ISBN 978-0-9869776-1-9. p.1.

Garden Route Initiative under the auspices of South African National Parks is in the process of establishing critical biodiversity habitats and ecological process areas from the Gouritz River in the west to the edge of Nelson Mandela Bay Metro in the east. Through the control of alien plant invasion, the Working for Water (WFW) programme rehabilitates degraded land and enhances water security.<sup>68</sup>

In terms of environmental legislation, the legislation and policies are strictly observed according to stakeholders. However, in most cases the environmental legislation is felt to be a constraint on sustainable spatial development and transportation plans because of the environmental management structures working outside of their mandates.<sup>69</sup>

According to a study<sup>70</sup> done on the potential impact of global warming on the environment of George, it is stated that the natural vegetation in George (which is part of the Cape Floral Kingdom) is threatened by the reduction in water quality and quantity, pollution and eutrophication, the introduction of invasive alien species, agricultural activities and urban expansion. The George economy was traditionally based on forestry and agriculture. Commercial forests were established on large areas cleared of natural vegetation, transforming the natural environment that protected the steep slopes of river gorges. Forestry and agriculture are now threatened by urban expansion onto scarce, high potential remaining farmland, the development of golf estates, the provision of land for small farmers, and an increase in the demand for water.

In the context of the district, Eden has effectively reached its carrying capacity in terms of water availability. Exceeding the carrying capacity of water reserves could, therefore, again lead to serious water shortages during drought years, similar to those experienced in George during the severe droughts in 2009/2010. Emergency measures to address the crisis have resulted in significant infrastructural, water storage and water harvesting improvements and upgrades. This includes a state-of-the-art water re-use plant, resulting in the recycling and reuse of waste water, pumped back into the Garden Route Dam. Public information and education campaigns around water conservation have also been extremely successful, and water use by consumers has now dropped to levels last recorded in the early 2000.<sup>71</sup> Based on current (2013) water availability and predicted consumption levels, George has 45% spare capacity. In an interview with the municipal manager, it was stated that by raising the Garden Route Dam overflow, George will have sufficient water to meet anticipated growth and demand until 2025. The implementation of a Water Demand Management Strategy by George Municipality has been extremely successful and has drastically reduced the water demand of the settlements in its jurisdiction. The overall

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<sup>68</sup> Pauw J. 2009. Challenges to sustainability in the Garden Route: water, land and economy. NMMU, George Campus, p.34. <http://sru.nmmu.ac.za/sru/media/Store/documents/Publications%20and%20Reports/Pauw,-2009--Challenges-to-sustainability-in-the-Garden-Route---.pdf>

<sup>69</sup> Page JH. 2012. [http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page\\_JH\\_Chapter\\_4.pdf?sequence=5](http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page_JH_Chapter_4.pdf?sequence=5), p. 188.

<sup>70</sup> Faling W, Tempelhoff JWN and van Niekerk D. 2012. Rhetoric or action: are South African municipalities planning for climate change? *Development Southern Africa* 29 (2): 241–257.

<sup>71</sup> George Municipality. 2013. Economic development profile, prepared by the Economic Development Unit . p.7.

percentage of water losses for George Municipality was reduced from 26.97% for the 2010/2011 financial year to 23.56% for the 2011/2012 financial year.<sup>72</sup>

From 2008–2010, municipalities located in the central, eastern and southern areas of the Western Cape Province experienced reduced rainfall. The period was reflected in exacting meteorological, hydrological and agricultural drought conditions across the Eden District Municipality. These were evidenced by measurable reductions in rainfall, stream flow, ground water level and vegetation conditions. The drought coincided with the global economic recession, the impact of which was most intense in 2008 and 2009, thus constraining the range of options available to manage the drought. This resulted in almost immediate effects on livestock farming, due to compromised grazing conditions. In addition, diminished rainfall resulted in numerous lagged, knock-on consequences to ground and surface water that translated into critically low urban water supplies in the Southern Cape municipalities. These ‘hydrological drought’ conditions generated their own impacts and necessitated significant emergency responses over the two-year period.<sup>73</sup> Governmental intervention and access to relief were facilitated by three local disaster declarations. In November 2009, drought disasters were gazetted for George. There are three important risk drivers that are central to the 2008–2009 meteorological drought. They include climate variability, accelerated urban development (particularly in coastal municipalities such as George), and more proximal drivers associated with the global economic downturn followed by FIFA World Cup. These were seen as key contributory factors that intensified exposure to drought conditions and susceptibility to adverse impacts.<sup>74</sup>

## 9. Management and planning of the George local authority

The foregoing analysis has shown that the city of George has many positive factors counting in its favour, but that there are also some negatives. The social and economic future of a specific jurisdiction depends on the strategic and operational management of its local authority. Therefore, we now examine these aspects of the George Municipality, in order to assess if George is likely to continue expanding its role as an intermediate city.

### 9.1 The municipal area

The location of the municipal area is presented in Figure 18. Geographically, the municipality includes the recently incorporated Wards 24 and 25, the former Eden District Management Area: the regional service centre of George (approximately 80% of the municipal population reside here); the towns, villages and coastal enclaves of Wilderness, Herold’s Bay, Uniondale, Touwsrante, Haarlem, Hoekwil and Victoria Bay (these collectively accommodate 12% of the population); and 8% who reside in rural hamlets and on

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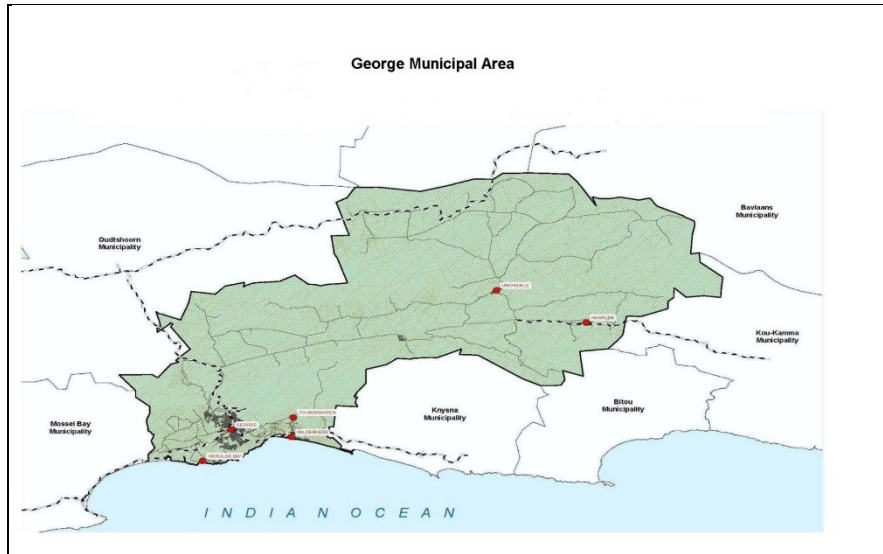
<sup>72</sup> George Municipality. 2013. Water Services Development Plan 2013/2014. p.29.

<sup>73</sup> Disaster Mitigation for Sustainable Livelihoods Programme (2012) Southern Cape drought disaster: ‘The scramble for water’. Stellenbosch University. p.1.

<sup>74</sup> Disaster Mitigation for Sustainable Livelihoods Programme (2012) Southern Cape drought disaster: ‘The scramble for water’. Stellenbosch University. p.7

farms.<sup>75</sup> According to Statistics SA, the total population for George in 2011 was estimated at 193 672, with a 2.1% growth rate per annum since 2008.

**Figure 18: The George municipal area**



## 9.2 Municipal governance and management

In the broader context of the region, the Eden District municipality was, in 2005, the first district municipality in the Western Cape to respond to the directives of the Intergovernmental Relations Framework Act by bringing its district inter-governmental forum (DIF) together. Some of the key challenges identified during the first two DIF meetings include, among others, the need for Eden District Municipality to: fulfil its role as district coordinator; strengthen and develop participation and social dialogue forums; address participation gaps amongst government partners; ensure that integrated development planning becomes mainstreamed in all municipalities; formulate delivery-focused programmes and projects to ensure a link to the municipal budget; and strengthen 'inter-governmental' relations and alignment between the district and local municipalities, province and national government departments.<sup>76</sup>

The George Municipality is serious about its governance. In its Annual Report 2011/2012<sup>77</sup> it stated: 'Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimised, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.' These characteristics provide an idea of the state of governance in George.

<sup>75</sup> George Municipality. 2013. George Municipal Spatial Development Framework.

<sup>76</sup> Page J.H. 2012. [http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page\\_JH\\_Chapter\\_4.pdf?sequence=5](http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page_JH_Chapter_4.pdf?sequence=5)

<sup>77</sup> George Municipality. 2012. Annual Report 2011/2012. p.41.

The George population is divided into 25 wards. The city is served by 49 councillors, of whom 25 are elected in wards and 24 are proportionally appointed. The party political composition after the 2011 municipal elections was: ACDP 1; ANC 19; Cope 1; DA 25; George Independent 1; Independent Civic Organisation of South Africa 1; Plaaslike Besorgde Inwoners 1.<sup>78</sup> The Western Cape Department of Local Government provided training and capacity-building programmes for ward committee members in George.<sup>79</sup>

The Democratic Alliance took over the management of the city after the last local authority elections. Since then, there have been many political squabbles reported in the press; however, municipal officials do not consider this to be serious and were of the opinion that there is, in fact, a reasonable amount of cooperation between the different parties and councillors.<sup>80</sup>

The council met regularly and a large number of decisions/resolutions were effected<sup>81</sup> (Table 14).

**Table 14: Meetings in 2011/2012 in which councillors played an important role**

Meetings in 2011/2012	Number	Decisions/resolutions
Council	20	156
Executive Mayoral Committee	17	106
<b>Public accountability</b>		
25 ward committees	All had regular meetings.	

George Municipality has a number of portfolio committees, in which councillors and municipal officials participate. The number of meetings and issues resolved/decisions made are summarised in Table 15.

All portfolio committees met a number of times and many issues were resolved or decisions made.

<sup>78</sup> Independent Electoral Commission. Results of 2011 election for George Local Municipality. Accessed at: <http://www.elections.org.za/content/LGEPublicReports/197/Detailed%20Results/WP/WC044.pdf>

<sup>79</sup> Western Cape Department of Local Government. 2012. Annual Report 2011–2012. p.27.

<sup>80</sup> Personal communication from a municipal official.

<sup>81</sup> George Municipality 2012. Annual Report 2011/2012. pp. 46–75.

**Table 15: Portfolio committee meetings in 2011/2012**

Meetings in 2011/2012	Number	Decisions/resolutions
Human Resources	9	25
Civil Engineering Services	6	10
Environmental Affairs and Sport	10	71
Electro-technical Services	5	20
Housing	11	75
Community Safety	5	13
Social Services	7	75
Planning	10	146
Corporate Services	7	25
Finance	7	65

The Municipal Finances Management Act<sup>82</sup> requires that the accounting officer (the municipal manager in George's case) should take all reasonable steps to ensure that risks are minimised. The internal audit activity of George was tasked to assess risks. The top ten institutional risks identified were: financial viability, inadequate standards of service delivery, dissatisfaction of the community, maintaining infrastructure, deficiencies in staff skills and capacity, poor levels of compliance, weaknesses in governance and accountability, increasing numbers of indigents and poverty, failure and non-integration of IT systems, and inefficient investment in capital expenditure. There are still many challenges that remain in order to reduce these risks.

An anti-fraud and anti-corruption policy has been developed to guide municipal processes but must still be fully implemented. Part of the strategy is to establish an anti-fraud and anti-corruption committee. This area still needs some attention. The clean audit received from the Auditor-General gives some comfort that the risks are being handled adequately.

The municipality has appointed an independent Audit Committee consisting of four individuals. This committee met six times in the 2011/2012 year and made recommendations to Council about controlling

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<sup>82</sup> Municipal Finances Management Act No.56 of 2003: Section 62.

weaknesses. The Audit Committee also acts as the Performance Audit Committee. It also regularly interacts with the internal audit function, a function outsourced to Ernst and Young. It is staffed with eight professionals, some with a lot of experience. Risk assessments are done on a regular basis and have informed the compilation of a three-year rolling audit plan. Many risk areas have been addressed but many still remain. In an interview with one of the independent members of this committee, the person indicated a reasonable satisfaction that George is moving in the right direction.

Overall, the George Municipality had 68 key performance indicators (KPI) in 2011/2012. Of these eight were not met (11.8%), five were almost met (7.4%), 38 were met (55.9%), 10 were well met (14.7%) and seven were extremely well met (10.3%). KPIs not met were in the areas of basic service deliveries (3), good governance and public participation (2), LED (1) and municipal financial viability and management (2). Overall the performance has been good but some areas still need attention. The municipality seems to have a handle on the issues that were not well managed.

A Bid Specification Committee met 56 times in 2011/2012 to prepare all bids. A Bid Evaluation Committee met 62 times to scrutinise bids. The Bid Evaluation Committee met a further 20 times and awarded 53 bids of a total value of some R120-million (this excluded the technical annual bids – petrol, security and insurance). Three awards of more than R10-million were made by the accounting officer. Thirty appeals were lodged about awards made; all unsuccessful.

Sixteen contracts with a total value of more than R45-million were awarded to businesses owned fully or partially by historically disadvantaged individuals (HDIs), women and businesses in George. Just over 43% went to HDIs and just over R1-million went in small contracts (between R30 000 and R200 000) to 19 HDI bidders. There were four deviations from normal procurement processes. These amounted to just over R4.4-million. This area appears to be managed well and responsibly.

A logistics management process is in place. At the end of June 2012, the value of stock was just over R7-million. A disposal management process is also in place and performance audits are done. Some regulation reports about procurement and contract management were not issued and steps were taken to rectify this.

However, it has been stated that contract management is less than satisfactory because management capacity is lacking.

Two bylaws and a host of policies were developed or modified in 2011/2012. Most of the key documents are displayed on the George Municipality's website. The authors of this report found the website to be rather 'unfriendly' and lacking in useful items, such as email addresses for senior staff. Some of the documents appear to have been in draft form for a long time. Senior municipal officials agreed that the website needs upgrading, especially now that the city wants to pitch itself as a knowledge-based city.

A single person, employed on a contract basis handled communications. A communication strategy and policy were being developed in 2011/2012. This area can possibly be improved.

Gauteng, followed by the Western Cape, spends far more on municipal health per 10 000 population than the other provinces<sup>83</sup>. George, together with Overberg and Cape Winelands contributed towards the high Western Cape average in this regard.

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<sup>83</sup> Demarcation Board. 2011. Municipal Capacity Assessment 2011 – National Trends in Municipal Capacity.

Overall the governance of George Municipality appears to be handled well.

### 9.3 Integrated Development Planning (IDP)

Contextualisation of the ethos of George as second tier city in the South African hierarchy of settlements is best illustrated by the municipality's vision statement, namely that 'George strives to be the best medium sized city in the country using all available resources sustainably to the benefit of the community in a growing and thriving city'. To put IDP thinking in perspective, a comparison of the overarching aims of the 2002 and 2012 IDP will be given below in terms of proclaimed strategic priorities or key development areas.

At the time that the first round of IDP was drafted, the chief issues were maintaining the strong downtown core for both commercial and residential uses, providing adequate housing for the black and coloured populations, and somehow coping with the expected in-migration of large numbers of black persons from the Eastern Cape. Integration of residential districts was not expressed as a goal for IDP. Discussions mainly centred around issues of economic development, education and social issues, but not on any kind of plan to break down the barriers between spatial communities.<sup>84</sup> In 2002, approximately 30 development priorities were identified, from which seven generic key development areas were adopted: 1) infrastructure and services; 2) social development; 3) economic development; 4) tourism; 5) institutional transformation; 6) safety and security; and 7) democracy, governance and financial management. Lanegran (2000) summarised George as a place with an optimistic view of the future, albeit one that, for the most part, maintains the apartheid landscape. George had not experienced 'white flight' as was experienced in other major cities in the country and the political communication seemed to be open and cordial.<sup>85</sup>

By 2012, the city had a very catchy slogan: 'George a city for all reasons' and this, along with the strategic vision and mission, has led to the conceptualisation of five strategic goals: 1) deliver quality services in George; 2) good governance in George; 3) grow George; 4) keep George safe and green; and 5) participate in George. Economic development underpins all these goals and the IDP is clear on providing resources for the development of the poor and previously disadvantaged. With the aim of equitable and sustainable development of the municipal area, the municipality is pursuing the following core strategies: 1) targeting the services economy – specifically the technology, tourism, and business and financial services sectors – as a foundation on which to build the local economic base; 2) giving priority to addressing the needs of vulnerable communities, and developing the human capital for a service economy; 3) creating humane and living environments by delivering services to all households, upgrading informal settlement and degraded neighbourhoods, delivering houses to the subsidy market, promoting 'green' household technologies and protecting the municipal area's natural and cultural heritage; 4) building institutional excellence by providing a high standard of services to consumers, and functioning effectively as developmental local government; and 5) ensuring all members of public,

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<sup>84</sup> Lanegran D. 2000. The post-apartheid city and the globalization of eroding the landscape of apartheid. *Macalester International*, 9: 269–278.

<sup>85</sup> Lanegran D. 2000. The post-apartheid city and the globalization of eroding the landscape of apartheid. *Macalester International*, 9: 269–278.

organised business and other organisations have the opportunity to participate in the decision-making process and that a culture of participation is nurtured.<sup>86</sup>

Priority issues relating to the entire municipal area as identified in the 2011/2012 IDP are shown in Table 16. It is interesting to note that the possibility of receiving metropolitan status is seen as an opportunity. The municipality adequately structured its IDP and spatial development framework (SDF) within the relevant policy contexts of the following three-tier level policies: National Development Plan (*Vision for 2030*), the Medium-Term Strategic Framework (MTSF) and the National Spatial Development Perspective (NSDP) as indicative and normative planning instruments; at provincial level the Provincial Strategic Plan (PSP) supported by Provincial Spatial Development Framework (PSDF); and at local level the municipal IDP, which includes the SDF.<sup>87</sup>

**Table 16: Strengths, weaknesses, opportunities and threats (SWOT) analysis of George (2011)**

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>• Good education facilities</li> <li>• Hotels and accommodation facilities</li> <li>• Good infrastructure</li> <li>• Service delivery</li> <li>• Regional service centre</li> <li>• Distribution centre</li> <li>• Established sport centre</li> <li>• Medical services</li> <li>• Mild temperature</li> <li>• Good medical facilities</li> <li>• Natural beauty</li> <li>• Scenery</li> <li>• Good municipal services</li> <li>• N2</li> <li>• Airport</li> <li>• Popular place for retirement</li> <li>• Skills and education levels</li> </ul>	<ul style="list-style-type: none"> <li>• Use of community halls for youth development</li> <li>• Affordable services for the poor</li> <li>• Public transport</li> <li>• Clinics in various areas need upgrading, longer hours or improved facilities</li> <li>• Economic space and opportunities for SMMEs</li> <li>• Lack of industrial land</li> <li>• Lack of employment opportunities</li> <li>• Lack of sufficient walkways and sidewalks</li> <li>• Restricted access to cycling routes</li> <li>• No minerals</li> <li>• Lack of skills development</li> <li>• Property prices</li> <li>• Public transport</li> <li>• Large poverty pocket</li> <li>• Lack of competitive salaries</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Tourism</li> <li>• A balanced budget providing for maintenance of infrastructure</li> <li>• BBBEE</li> <li>• Skills training</li> <li>• Mobility strategy</li> <li>• Facilities for the treatment of substance abuse</li> <li>• Township tours</li> <li>• Bursaries for training</li> <li>• Conference facilities</li> <li>• Hi-tech</li> <li>• Higher education facilities</li> <li>• Specialised medical facilities</li> <li>• Alternative energy</li> <li>• Transparency</li> <li>• Possible metropolitan status</li> <li>• Sport mecca</li> </ul>	<ul style="list-style-type: none"> <li>• Crime</li> <li>• Unemployment</li> <li>• Poverty</li> <li>• Substance abuse</li> <li>• Unlicensed shebeens in residential areas</li> <li>• Alien vegetation</li> <li>• Political instability</li> <li>• Petrol price</li> <li>• Electricity crises</li> <li>• Climate change</li> </ul>

Table 17 shows a summary of development priorities between George municipal area and the broader Eden District Municipality. The priorities are largely the same, with the exception of more focus on agriculture and conservation in Eden (as this is largely a rural district) and a bigger transport focus in George itself.

<sup>86</sup> George Municipality. 2013. George Municipal Spatial Development Framework.

<sup>87</sup> George Municipality. 2013. IDP 2012–2017. p.14.

**Table 17: IDP development priorities of George Municipality and Eden District Municipality<sup>88</sup>**

Priority	George local municipality	Eden District municipality
Strategic investment in high-quality basic services/sustainable service provision and infrastructure development	√	√
Human and social development	√	√
Social environment that ensures safe and healthy communities	√	
Enabling environment for economic growth that attracts investors/employment creation	√	√
Sustain the environment through resource conservation and good land- use practices		√
Facilitate opportunities for youth, women, and disabled and appropriate care for the aged	√	
Poverty alleviation	√	√
Rural development		√
Address the housing need		√
Efficient public transport	√	
Support for SMME's	√	
Develop sidewalks and cycling routes	√	

In terms of the level of implementation the latest IDP summarises the performance highlights in five categories (Table 18).

<sup>88</sup> Du Plessis D. 2012. Interpretation of weaknesses in municipal level SWOT analysis. Cruise, Stellenbosch University.

**Table 18: IDP performance highlights (2012)<sup>89</sup>**

National Key Performance Area	Highlights
Good governance and public participation	<ul style="list-style-type: none"> <li><input type="checkbox"/> Functional community participation mechanisms and ward committees</li> <li><input type="checkbox"/> Established feedback mechanism in order to ensure responsiveness to communities</li> <li><input type="checkbox"/> Intergovernmental Relations Forum established</li> <li><input type="checkbox"/> Ward Based planning initiated</li> <li><input type="checkbox"/> R100 000 allocated per ward for community projects</li> </ul>
Municipal transformation and organisational development	<ul style="list-style-type: none"> <li><input type="checkbox"/> Appointment of the municipal manager</li> <li><input type="checkbox"/> Appointment of designated groups (more than 80%)</li> <li><input type="checkbox"/> Evaluation and auditing of filled benchmarked positions (90%)</li> <li><input type="checkbox"/> Commencement of the Municipal Finance Management Programme in terms of the Minimum Competency Level Regulation</li> <li><input type="checkbox"/> Officials rewarded with internal bursaries and matriculants with financial assistance for tertiary studies.</li> </ul>
Municipal Financial Viability and Management	<ul style="list-style-type: none"> <li><input type="checkbox"/> Revenue enhancement plan drafted and in effect</li> <li><input type="checkbox"/> In-house establishment of the debt collection and credit control unit</li> <li><input type="checkbox"/> Debtors' payment ratio average above 90%</li> <li><input type="checkbox"/> All creditors paid within 30 days</li> <li><input type="checkbox"/> All staff paid salaries each month</li> <li><input type="checkbox"/> Received a clean audit</li> <li><input type="checkbox"/> No additional loans taken up</li> </ul>
Basic service delivery	<ul style="list-style-type: none"> <li><input type="checkbox"/> George obtained second place in the competition and received an amount of R60 000</li> <li><input type="checkbox"/> George obtained first place in the competition and received an amount of R60 000</li> <li><input type="checkbox"/> George achieved 98.12% in the 2012 assessment placing it 7th overall in SA.</li> <li><input type="checkbox"/> It is the 4<sup>th</sup> consecutive year that George is in the top 10 in the country</li> </ul>
Local economic development	<ul style="list-style-type: none"> <li><input type="checkbox"/> Implementation of the 2012 Economic Development Strategy commenced in 2012/2013 and delivery of tangible results in the identified key focus areas e.g.</li> <li><input type="checkbox"/> Support provided for the establishment of the Garden Route ICT Incubator to support the ICT industry and to support business development</li> <li><input type="checkbox"/> Agreement secured from mandated national entity BPeSA to market George as call centre destination internationally</li> <li><input type="checkbox"/> Recorded international interest in a smart city project for the city, which will directly benefit residents in terms of connectivity and access to services</li> </ul>

Sector plans focus on specific sectors within the context of the George Municipality. The alignment of sector plans between all spheres of government is important in ensuring integration of programmes and

<sup>89</sup> George Municipality. 2013. IDP 2012–2017. pp.39–40.

maximum utilisation of available resources. The range of sector plans and their status is shown in Table 19.

**Table 19: Sector plans and status (2012)<sup>90</sup>**

Sector plan	Status of plan
Long Term Financial Plan	In progress – to be revised during 2013.
Asset Management Plan	In progress.
Integrated Infrastructure Maintenance Plan	In progress.
Integrated Infrastructure Investment Plan	In progress.
Water Master Plan	The plan entails the establishment of computer models for all the water networks in George (bulk and reticulation), the linking of these models to the stand and water meter databases of the treasury's financial system, evaluation and master planning of the networks, and the posting of all information to the IMQS viewer.
Sewer Master Plan	The project entails the establishment of computer models for all the sanitation networks in George (bulk and network), the linking of these models to the stand and water meter databases of the treasury's financial system, evaluation and master planning of the networks, and the posting of all information to the IMQS viewer.
Roads Master Plan	The purpose of the study is to direct transportation planning attention to future road needs, to identify, plan and guide the design of the roads infrastructure and facilities that they will require in order to serve a population of 310 000 by 2015. The Master Plan sets direction for the roads infrastructure programmes and provides a basis for budget planning.
Water Services Development Plan (WSDP)	A plan for water and sanitation services in terms of the Water Services Act. An approved WSDP is in place and was taken to Council (2010/2011) The Water Services Act requires that the WSDP be updated in the interim years as necessary and that a new plan should be compiled every five years. The WSDP for 2013/2014 is currently being updated, which will be taken to Council with the new IDP.
Integrated Waste Management	Plan in progress.
Storm Water Master Plan	In order to mitigate the impact of possible changing weather patterns and increasing runoff caused by urbanisation, the municipality required a single database where all storm water data could be viewed, queried, stored, added, maintained and expanded. With this database, a storm water master plan can be compiled and upgrades to storm water infrastructure can be identified to meet current and future infrastructure needs.
Water Services Audit (WSA) Report	The water services audit is designed to monitor the compliance of the Water Service Authority (WSA) and other WSIs with these regulations. The Water Services Act allows the water services audit to be used as a tool to compare actual performance of the WSA against the targets and indicators set in their WSDP. The Water Services Audit Report also assists local communities and Department of Water Affairs (DWA) to assess how well WSAs are performing relative to their stated intentions and their capacity. A Water Services Audit Report for 2011/2012 was finalised and will be taken to Council with the Annual Report.
Electricity and Energy Master Plan	In place and updated annually.
Pavement Management	System in progress.
Integrated Transport Management Plan (ITP)	The ITP was not updated in 2012 due to the imminent implementation of the George Integrated Public Transport Network (GIPTN). Various route surveys have been done that must be

<sup>90</sup> George Municipality. 2013. IDP 2012–2017. pp.69–70.

Sector plan	Status of plan
	included. A moratorium has been placed on the issue of any new mini-bus type licenses and operations. This will also be amended in line with the final GIPTN. The implementation of the GIPTN will alter the ITP and will be included in a final plan for approval. Currently, public transport is provided by the informal sector and all areas in George have road access.
Integrated Coastal Management Strategy	Eden District municipality has a plan which includes the George coastal areas.
Biodiversity Plan	In progress.
Disaster Management Plan	In progress.
Spatial Development Framework	Final draft updated.
Human Settlement Plan	In progress.
Local Economic Development Strategy	Economic Development Strategy 2012, adopted by Council in May 2012.
Integrated Human Settlement	Final draft updated and submitted to Housing Committee in May 2013.
Performance Management Policy Framework	In process of being updated.
Risk Management Plan and Strategy	In progress.
Air Quality Management Plan	In the process of finalisation.
Law Enforcement Strategy	In progress.
Communication Strategy	In progress.
Integrated HIV/Aids Plan	In progress.
Employment Equity Plan	Compiled and submitted annually.
Workplace Skills Plan	Compiled and submitted annually.

Water and sanitation service level policies are in place. The water service levels to be provided by the municipality to the consumers in their management area are also included in the municipality's water services by-laws. All water and sanitation services provided by municipality to consumers within the municipal management area are linked to the municipality's Tariff Policy and Rates Policy and poor households are incorporated through the Indigent Policy. The large number of residents in the lowest income groups (living in informal areas) places a major challenge on the municipality to provide suitable housing. George Municipality works towards providing all households in town areas with a water connection inside the house and connecting all households to a waterborne sanitation system.<sup>91</sup>

Investing in infrastructure creates an enabling environment for economic growth and is an important precondition for sustainable growth. Although George Municipality has a potential for growth at much higher rates, failure to ensure adequate rehabilitation and maintenance of the existing infrastructure poses a serious threat to the local economy. The deterioration of water and sewer networks and pump stations and rapid development, which is not always matched by growing capital expenditure, can further

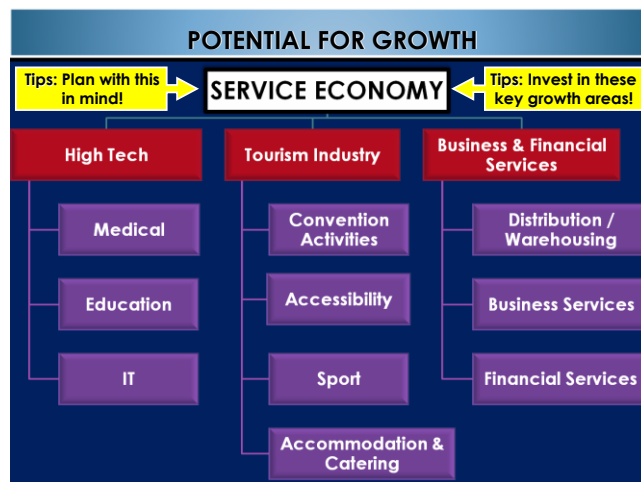
<sup>91</sup> George Municipality. 2012. Water Services Development Plan 2013/2014. p.7.

exacerbate the situation. The municipality therefore needs to continue with the rehabilitation and maintenance of their existing infrastructure, in order to ensure the medium- to long-term sustainability of the existing infrastructure.<sup>92</sup>

The challenge for the municipality is to undo the spatial legacy that apartheid left on the towns, villages and farms in the management area and to provide and enable humane living environments for all (this is discussed more fully later).

An objective of the Participatory Appraisal of Competitive Advantage (PACA) process (see section 9.4) in 2012 was to develop an economic development strategy that is an independent document. At present this has not been aligned with the current IDP.<sup>93</sup> Planning and investment for city growth is very much geared towards the service economy. Figure 19 was developed during the recent IDP process and illustrates the three broad sectors with the highest growth potential in the George economy. It does not mean that the other sectors, such as manufacturing, agriculture or construction are not important, but that a focus on these sectors (which have already proved to be sustainable) have the greatest potential for further growth. It is argued that an active policy to stimulate these sectors will also stimulate other sectors, such as the construction industry. It is, furthermore, argued that development actions should be aimed at strengthening, marketing and developing these sectors. To compliment this, education and training should be provided in George in the skills required in these sectors, to ensure a pool of expertise to further develop these sectors.

**Figure 19: Sectors with potential for growth, according to the latest IDP**



<sup>92</sup> George Municipality. 2012. Water Services Development Plan 2013/2014. p.3.

<sup>93</sup> George Municipality. 2012. Participatory appraisal of competitive advantage (PACA). Economic development initiative, George Municipality. p.19.

## 9.4 Local Economic Development planning

Because Eden District Municipality does LED planning for the Eden District, which includes George, we also provide information about the LED plans of the Eden District Municipality.

### 9.4.1 LED planning of George Municipality

Local economic development (LED) was identified as one of the key challenges of the municipality and its planning has received much attention<sup>94</sup> as is required from a national perspective. A small dynamic Economic Development unit has driven a planning process that is a combination of the PACA and Genesys processes, both of which are international proven methodologies. The planning process was largely implemented by local people, some of whom were volunteers trained in the PACA methodology by an expert. The local team was then supported by experienced facilitators to ensure capability transfer. Senior officials from the municipality played an active part in all aspects of the process, building important relationships that further bridged the gap between the public and private sectors.

Introspection during the PACA process led to a decisive policy statement for economic development: The George Municipality 'recognises the important role it plays in ensuring an enabling environment for economic development as a means to sustainable livelihoods for its residents. In aggressively pursuing economic growth a multi-faceted, cross-sectoral, participatory approach will be followed. At the centre of this will be cooperation and the building of lasting, productive relationships with civil-society, business, NGOs and other stakeholders in the pursuit of common goals. Although a structured approach is envisioned, sufficient flexibility will be incorporated to allow for the identification and pursuit of ad-hoc opportunities'.<sup>95</sup>

The PACA process suggested that the socio-economic future of George is largely determined by two key uncertainties: Is there a shared transformational view of the future? Do the 'haves' continue an overall patronising but largely exploitive business model? The extent to which these uncertainties would be handled creates four possible future scenarios (Figure 20) bounded by the extent of developing a clear and shared vision of the future and the extent of cooperation to achieve LED goals.<sup>96</sup>

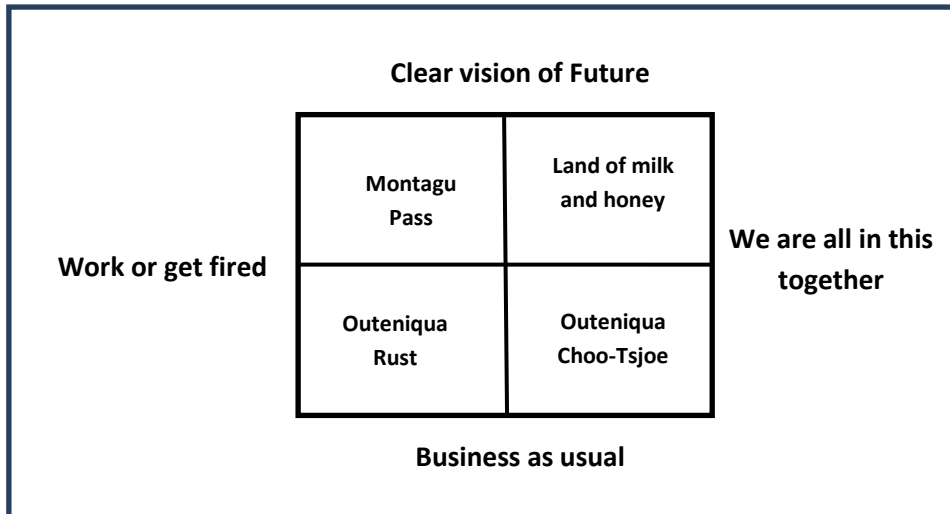
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<sup>94</sup> George Municipality. 2012. Economic Development Strategy. Report prepared by Colin Mitchell and the PACA Team.

<sup>95</sup> George Municipality. 2012. Economic Development Strategy. Report prepared by Colin Mitchell and the PACA Team. p.4.

<sup>96</sup> George Municipality. 2012. Economic Development Strategy. Report prepared by Colin Mitchell and the PACA Team. p.7.

**Figure 20: Four possible future economic scenarios for George (after PACA)**



The comparative advantages of George were identified in the PACA process as: (i) its natural endowment with usually adequate and predictable availability of water, arable land and climatic conditions that are favourable for agricultural development, and, (ii) a locational advantage of quality of life and well developed (but improvable) social infrastructure and recreational potential.<sup>97</sup>

Long-term, medium-term and short-term goals were identified.<sup>98</sup> The long term goals include: (i) the encouragement, support and facilitation of the development of primary production in priority areas of fruit (especially berries), vegetables and timber, (ii) the identification of market opportunities and development of relationships to exploit the growth and diversification of the above sectors, and (iii) the encouragement and support of secondary and tertiary processing as catalysts to grow the sectors beyond the fresh produce and local markets into a dominant regional, if not global force.

The medium-term strategies are: (i) to re-brand George, (ii) to focus on the structural timber and furniture sectors, (iii) to further promote the call centre sector, and (iv) to pay more attention to the dairy value chain. In the short term there will be a focus on: (i) a berry festival, (ii) a hops festival and (iii) the development of a trekking trail. The short-term goals are driven by the reality that economic development is a time-consuming process and there is a need to have some quick wins.

A LED maturity assessment was carried out on George Municipality in February 2012.<sup>99</sup> The city ranked eighth out of 29 municipalities assessed in the Western Cape. LED practices in George had improved

<sup>97</sup> George Municipality. 2012. Economic Development Strategy. Report prepared by Colin Mitchell and the PACA Team. p.9.

<sup>98</sup> George Municipality. 2012. Economic Development Strategy. Report prepared by Colin Mitchell and the PACA Team. pp.11–13.

<sup>99</sup> Hadingham T. 2013. *Municipalities are growing horns. A reflection on the outcomes of the Western Cape LED Maturity Assessments*. SALGA Western Cape: LED case study 6. pp. 5–7.

remarkably since the previous assessment in November 2011. Whereas improvements in all aspects were evident, vulnerability remained in having a limited LED facilitation capacity.

The assessment report suggested that: a functional LED leadership and governance system should be established, the LED facilitation capacity should be broadened across a range of persons, coherent strategies should be ensured and a focal area should be created to make George a better place for the poor to access economic opportunities.

In addition to the above, George Municipality has commissioned an investigation (by InstantAfrica.com) of the informal economy of the city. This has yielded a wealth of information on issues such as the relationship between migrant and purchasing behaviour, the income levels of different areas where previously disadvantaged individuals live, the relationship between age and income across demographics, the relationship between income and mobile phone usage, the expected monthly cost of travel across regions and the relationship between transport cost and employment and/or migrancy.

Findings that can guide LED in the informal sector were also obtained. A brief example is that of the migrant workforce with less than one year's stay in the George area. The largest portion has part-time work with the most common household earning of R1 000 – R2 000 per month. Of all regions, Touwsrante had the highest portion of unemployed 'migrants'. Overall, 83% of respondents who were unemployed had been in Touwsrante for six months or less. There is a strong correlation between time in an area and employment (full-time and part-time). The impact is less pronounced with casual work which is largely filled by those who have been in the area for less than a year.

Research done by a consultant firm (Octagonal) about the informal enterprises of Thembalethu adds to the pool of information (see later). George is, thus, in a leading position, as far as having developed an understanding of its informal sector is concerned.

From discussions with municipal officials of George Municipality and persons representing various groups in the city, some idea could be developed of the strengths and weaknesses of the way economic development is handled in George Municipality.

Compared to metropolitan cities such as Cape Town, the Economic Development Unit is very small and has limited capacity to address LED more holistically. Plans have been developed for the expansion of the Unit, but these have not yet been formally accepted and acceptance will require political, financial and infrastructural support. However, it is clear that there is a good working relationship between the Municipal Manager and the manager of the Economic Development Unit. The fact that the latter manager has the authority to manage the Expanded Public Works Programme (EPWP) of George means this programme is also focused on achieving economic development goals.

The fact that there is a separate tourism office in the George Municipality and that tourism does not form part of the mandate of the Economic Development unit makes little sense given the importance of the tourism and hospitality sector for George. Negative comments about the tourism office were expressed in interviews with people in the private sector of George. The perceived predominantly Cape Town focus of the former destination marketing organisation of the province, Cape Town Routes Unlimited, also does not contribute much to enhance George's reputation as a tourist destination. How effective its replacement, Wesgro, has been is also uncertain.

It is surprising that LED planning of George seems to ignore certain sectors that are important in the George economy. There seems to be a lack of information about the magnitude of financial inflows into

the George economy that are associated with the retired/elderly persons living in George and surrounds (see earlier discussion of this issue, in section 5.3.3).

Business persons indicated that there is a huge influx of South African visitors in peak summer holiday periods and that significant parts of their turnovers are associated with these visitors. In addition, business persons also indicated that the so-called 'swallows' (foreigners from Europe who spend their winter months in George) also contribute significantly to their turnovers. Because no attempt has yet been made to quantify their financial inputs into the George economy, we present views expressed by two businessmen<sup>100</sup> about the importance of the financial impacts of the 'swallows' (Box 3). Taken together it is clear that the financial impact of the 'Swallows' on the George economy is significant.

Box 3: Opinions about the financial importance of the 'swallows' for the George economy (translated by the authors)

'I have only first-hand experience of our Dutch neighbours. They spend about six months a year on Mallorca and six months in George. They arrived back last week to their George home and by the second day they had already spent some R50 000 on property taxes, vehicle and TV licenses, etc. They use garden services throughout the year. They employ two workers, buy a new Mercedes every four years, daily have a meal at a restaurant and tour three times a year to other parts of South Africa, mainly in the Western and Eastern Cape. On these visits they stay in good hotels and guest houses and visit attractions and national parks. Initially they only visited George for four months per year but after the financial crisis in Europe they have extended their South African stay to six months or longer. If political wrangling and crime levels improve they would like to stay for longer periods in South Africa. They earn in euros and spend in rands'.

'In Fancourt "swallows" own at least 75% of the properties, that is, more than 200 dwellings. These people spend some six months per year in George.'

This information raises an important general issue, namely that George lacks a coherent picture of all of the sources of money flowing into its economy because regional gross domestic product (GDP-R) or regional gross value added (GVA-R) measurements do not reflect pension or social grants (see later discussion of this issue).

An academic suggested that an agricultural focus would not provide a sustainable future basis for the George economy.<sup>101</sup> He suggested that the presence of the Nelson Mandela Metropolitan University, various colleges and excellent schools offer in the 'Knowledge Age' the opportunity to develop George into a 'college town'. He was also negative about positioning George as a 'golf Mecca'. Yet, some business persons were of the opinion that the golf resorts and visiting golfers are important in the George economy. This is an issue that should be resolved.

Although the PACA process is an excellent example of cooperation between the public and private sectors of George, there is also a danger that the private interests of participants could lead to the selection of pet projects. There seems to be a remaining need to widely share and test the ideas and plans developed during the PACA process with many stakeholders. This would contribute to the development of a shared vision of the future of George.

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<sup>100</sup> Personal communications from two business people.

<sup>101</sup> Personal communication from an academic.

There seems as yet to be limited knowledge about concepts such as the 'Italian industrial district'<sup>102</sup> and core competences.<sup>103</sup> Cluster building<sup>104</sup> has also received limited attention. These are areas that might be usefully explored.

There were indications that politics and the behaviour of politicians may lead to an overemphasis of short term LED goals. The fact that national and provincial/local authority elections do not take place at the same time could mean that politicians are in an almost continuous electioneering mode, pursuing short-term goals that could reflect positively on them. In general, most South African councillors seem to lack a deep understanding of the economic development process and have little appreciation for the fact that LED is a slow process, without 'silver bullets'.

#### 9.4.2. LED planning by Eden District Municipality

Eden District Municipality has developed a regional economic development strategy,<sup>105</sup> stating that 'The George Municipality is the key regional economic driver in the Eden District; so what happens in George affects the larger district'.

The total GGP of George's economy increased by an annual average of 4.8% from R3.389-billion in 2002 to R4.914-billion in 2009 and the main contributing sectors in 2010 were finance and business services (25.1%), wholesale and retail trade (16.1%) and manufacturing (13.7%).<sup>106</sup>

The three sectors within the Eden District with the most significant location quotients (LQ) are the construction industry (1.93), the agricultural sector (1.54) and the wholesale and retail trade (1.18). The construction industry within the district shows a greater production than is demanded locally within the district, followed by the export of skills and production to surrounding districts. This contributed to the strength of the industry in the early and mid-2000s, and during the property boom. The high LQ of the agricultural sector indicated that the area has a high potential for agriculture and agro-processing with its potential to alleviate unemployment. The high LQ of the wholesale and retail trade industry is mainly driven by the high tourism profile of the area. The manufacturing sector with a LQ of 1.00 shows that production within the district is meeting local demand. Within Eden District, tourism has emerged as the pivotal industry driving a number of other industries, such as construction and the wholesale and retail trade sectors.<sup>107</sup> Eden District Municipality also identified a number of development opportunities and constraints in the manufacturing, transport, communications and agricultural sectors.

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<sup>102</sup> Pyke F, Becattini G and Sengenberger W. 1990. *Industrial districts and inter-firm co-operation in Italy*. International Institute for Labour Studies, Geneva [built on a topic developed by Piore MJ and Sabel CF. 1984. *The second industrial divide: Possibilities for prosperity*. Basic Books].

<sup>103</sup> Prahalad CK, Hamel G. 1990. The core competence of the corporation. *Harvard Business Review* 68( 3): 79–91.

<sup>104</sup> Porter ME. 1998. Clusters and the new economics of competition. *Harvard Business Review*, Nov–Dec 1998, pp.77–91.

<sup>105</sup> Eden District Municipality. 2011. *Regional Economic Development Strategy*. pp. 1–249.

<sup>106</sup> Eden District Municipality. 2011. *Regional Economic Development Strategy*. p.32.

<sup>107</sup> Eden District Municipality. 2011. *Regional Economic Development Strategy*. p.42.

In summary, George Municipality has used a highly interactive process to develop future LED plans. These plans are strongly steered by the need to create labour-intensive, agro-based enterprises. However, some aspects of these plans can be questioned on the basis that particular local strengths seem to be ignored. The separation of tourism planning and LED planning is perplexing.

## 9.5 Municipal finances

The logic of this section is that the outcome of audits by the Auditor-General is presented first, in order to reflect the adherence of George Municipality to Generally Recognised Accounting Practice (GRAP) and other auditing requirements. Thereafter, the actual financial figures for a number of years are presented, analysed and discussed. This is followed by benchmarking exercises: (i) with metropolitan and other secondary cities, and, (ii) with benchmarks developed by the government of the Western Cape.

### 9.5.1 Audit outcomes

The audit outcomes<sup>108</sup> of George are summarised in Table 20. Since 2009/2010, when the municipality obtained an adverse outcome, it has improved its audit performance continuously and in 2011/2012 it achieved an unqualified audit. According to an independent member of the Audit Committee, this was the result of dedicated work by a team of experienced workers.

**Table 20: Audit outcomes of George for the period 2008/2009 to 2011/2012**

Audit outcome	2011/2012	2010/2011	2009/2010	2008/2009
Unqualified	x			
Qualified		X		X
Adverse			x	
Disclaimed				
Outstanding				

### 9.5.2 Sources of revenue of George Municipality

The magnitudes and origin of the revenue sources of George Municipality are summarised in Table 21. The magnitude of the revenues of has grown year by year and exceeded R1-billion for the first time in 2012/2013.

Local sources of revenue (i.e. property and other taxes as well as service charges) and total own revenue grew every year (Table 22). In contrast, grants (operating, capital and conditional) and other non-operating revenue could grow in one year and decrease in following years. Due to the long-term loans that George Municipality has entered into, interest income has decreased in three out of four years from 2008 to 2013 (Table 22). Taxes – but especially service charges – have annually been increasing by more than the official inflation rate, a situation that might later become untenable.

<sup>108</sup> All financial information used here was sourced from the financial department of George Municipality.

A further breakdown of revenues obtained from service charges is presented in Table 23.

Revenue generated from electricity supply services increased from 60% in 2008/2009 to over 70% in 2011/2012 and 2012/ 2013 (Table 23). This probably reflects the large price increases of Eskom for electricity supply, but also reflects increasing profits made on electricity sales by George municipality (see below). As a consequence, the relative contribution to income of other services decreased over the same time period.

**Table 21: The origin and magnitude of revenues of George Municipality**

Source	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Property and other taxes	R147,283,673	R129,006,026	R120,210,393	R105,813,428	R101,896,658
Service charges	R587,205,040	R527,786,443	R454,504,719	R390,527,885	R353,259,332
Operating grants	R149,610,785	R153,465,291	R137,138,218	R62,596,965	R78,263,133
<b>Total operating revenue</b>	<b>R884,099,497</b>	<b>R810,257,760</b>	<b>R711,853,330</b>	<b>R558,938,279</b>	<b>R533,419,123</b>
Capital grants	R82,905,085	R50,064,123	R72,168,453	R95,910,391	R64,642,476
Interest	R13,780,604	R14,714,900	R14,773,184	R14,672,678	R25,464,901
Other non-operating revenue	R46,932,692	R45,793,688	R40,752,897	R31,626,133	R42,869,036
<b>Total of own revenue</b>	<b>R795,202,009</b>	<b>R717,301,057</b>	<b>R630,241,193</b>	<b>R542,640,125</b>	<b>R523,489,927</b>
<b>Total of all revenue sources</b>	<b>R1,027,717,879</b>	<b>R920,830,472</b>	<b>R839,547,864</b>	<b>R701,147,482</b>	<b>R666,395,536</b>

**Table 22: The annual changes from the previous financial year (%) of the relative contribution of different sources to the revenue stream**

Annual change (%)	2012/2013	2011/2012	2010/2011	2009/2010
Property and other taxes	14.17	7.32	13.61	3.84
Service charges	11.26	16.12	16.38	10.55
Operating grants	-2.51	11.91	119.08	-20.02
Capital and conditional grants	65.60	-30.63	-24.75	48.37
Interest	-6.35	-0.39	0.68	-42.38
Other non-operating revenue	2.49	12.37	28.86	-26.23
<b>Total own revenue</b>	<b>10.86</b>	<b>13.81</b>	<b>16.14</b>	<b>3.66</b>
<b>Total revenue sources</b>	<b>11.61</b>	<b>9.68</b>	<b>19.74</b>	<b>5.21</b>

**Table 23: A breakdown of revenues generated by the different services and their relative contribution to total revenue generated**

Service	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Water supply revenues	R81 477 134	R66 392 721	R67 305 558	R56 001 529	R62 936 396
Electricity supply revenues	R413 335 570	R373 785 442	R310 240 246	R267 361 365	R212 089 697
Sewage services revenues	R54 624 960	R52 175 772	R46 462 330	R40 852 063	R44 889 402
Cleaning services revenues	R37 420 439	R35 101 413	R30 484 078	R26 305 310	R33 334 314
<b>Total revenue from services</b>	<b>R586 858 103</b>	<b>R527 455 348</b>	<b>R454 492 212</b>	<b>R390 520 267</b>	<b>R353 249 809</b>
Relative contribution (%)					
Water supply revenues	13.88	12.59	14.81	14.34	17.82
Electricity supply revenues	70.43	70.87	68.26	68.46	60.04
Sewage services revenues	9.31	9.89	10.22	10.46	12.71
Cleaning services revenues	6.38	6.65	6.71	6.74	9.44
<b>Total (%)</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

The relative contribution of all sources of revenue over the period of 2008 to 2013 is summarised in Table 24. The contribution of property taxes decreased by about one percentage point, whereas that of service charges, by far the largest revenue source, increased by about four percentage points. This is apparently due to large increases in the price of electricity by Eskom (discussed again later). Operating grants have increased by just less than three percentage points, while the contribution of capital grants have varied over the years. The magnitude of the 'other non-operating income' decreased by just less than two percentage points.

The revenue streams of George Municipality are dominated by its operating revenue, which, again, is dominated by revenue generated from electricity supply. To gain a fuller understanding of its financial dynamics it is necessary to examine the magnitude and patterns of expenditures of George Municipality (Tables 25 and 26).

**Table 24: The relative contribution of different sources to the revenue stream**

Share of total revenue (%)	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Property and other taxes	14.33	14.01	14.32	15.09	15.29
Service charges	57.14	57.32	54.14	55.70	53.01
Operating grants	14.56	16.67	16.33	8.93	11.74
Capital and conditional grants	8.07	5.44	8.60	13.68	9.70
Interest	1.34	1.60	1.76	2.09	3.82
Other non-operating revenue	4.57	4.97	4.85	4.51	6.43
Total operating Revenue	86.03	87.99	84.79	79.72	80.05
Total (%)	100.00	100.00	100.00	100.00	100.00

**Table 25: The expenditures of for the period 2008 to 2013**

Category	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Employee costs	R268 286 629	R248 879 433	R228 773 185	R219 740 200	R181 718 715
Remuneration of councillors	R14 567 527	R13 868 485	R10 691 294	R9 757 867	R9 187 603
Bad debts	R34 035 091	R19 557 889	R27 523 970	R13 946 099	R6 770 268
Repairs and maintenance	R63 724 904	R52 813 917	R55 364 168	R52 445 761	R53 999 239
Bulk purchases	R276 691 264	R244 296 678	R192 921 333	R151 841 435	R119 762 528
Other operating expenditures	R182 513 085	R196 006 063	R182 523 919	R140 494 224	R193 625 274
<b>Total operating expenditure</b>	<b>R839 818 501</b>	<b>R775 422 466</b>	<b>R697 797 870</b>	<b>R588 225 586</b>	<b>R565 063 627</b>
Depreciation	R106 153 538	R106 672 111	R94 576 906	R79 562 561	R60 454 011
Interest	R55 450 529	R57 217 007	R53 170 188	R47 342 066	R31 749 947
Other non-operating expenditure	R119 211 456	R109 695 107	R136 634 521	R243 066 926	R284 301 026
<b>Total</b>	<b>R1 120 634 025</b>	<b>R1 049 006 691</b>	<b>R982 179 485</b>	<b>R958 197 139</b>	<b>R941 568 612</b>

Employee costs have risen from about 19% of total expenditures to just below 24% (Table 26). This is a worrying trend. Remuneration of councillors has risen from below 1% of expenditures in 2008/2009 to 1.3% in 2012/13. Although contribution of the latter is a small part of total expenditures, the rise in this expenditure category is large. Bad debts have increased more than five-fold, another worrying trend, and amounted to over 3% of all expenditures in 2012/2013. Bulk purchases of water and electricity have risen from 12.7% in 2008/2009 to 24.7% in 2012/2013. There is little doubt that the continuing rising costs of these purchases would be difficult for residents to meet over time.

**Table 26: The relative contribution of different expenditure categories to the total expenditures for the period 2008 to 2013**

Category	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Employee costs	23.94	23.73	23.29	22.93	19.30
Remuneration of councillors	1.30	1.32	1.09	1.02	0.98
Bad debts	3.04	1.86	2.80	1.46	0.72
Repairs and maintenance	5.69	5.03	5.64	5.47	5.74
Bulk purchases	24.69	23.29	19.64	15.85	12.72
Other operating expenditures	16.29	18.68	18.58	14.66	20.56
<b>Total operating expenditure</b>	<b>74.94</b>	<b>73.92</b>	<b>71.05</b>	<b>61.39</b>	<b>60.01</b>
Depreciation	9.47	10.17	9.63	8.30	6.42
Interest	4.95	5.45	5.41	4.94	3.37
Other non-operating expenditure	10.64	10.46	13.91	25.37	30.19

Yet it is also clear that, like many other South African municipalities and, perhaps against the spirit of South African municipal legislation, George Municipality is making large positive gross margins on its water and electricity sales to residents. The difference between the revenues raised from water and electricity sales and the costs of bulk purchases (Table 27), which could be interpreted as 'gross profits' on the delivery of these services, increased from some R155-million in 2008/2009 to more than R218-million in 2012/2013. Residents have increasingly been required to bear not only Eskom's price rises but also increases in these 'gross profits', which have grown in excess of the national inflation rate (Table 27).

**Table 27: The magnitude and growth rate of 'profits' made from sales of water and electricity**

Financial year	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
'Profits' on water and electricity sales	R218 121 439	R195 881 496	R184 625 471	R171 521 459	R155 263 565
Growth (year on year, %)	11.35	6.10	7.64	10.47	

'Other operating expenses' have decreased from over 20% in 2008/2009 to just over 16% by 2012/13, but still represent a large part of expenditures. The nature of these expenses should be understood very well.

The total expenditure of George Municipality has, since 2008/2009, continually exceeded revenue, which could be interpreted that the municipality is technically not a 'going concern'. Although depreciation is shown in the financial statements, it is probable that no provision is made to accumulate funds from the depreciation charges to fund future capital replacement/expenditure. Repairs and maintenance

expenditure have run at between 5% and 6% of total expenditures over the whole period (see further comments later about this issue).

Debtor management during 2008/2009 to 2012/2013 is summarised in Table 28. The outstanding amount varied between 17% and 20% and the amount that had to be written off between 0.7% and 4%. Overall debtor management seems to be acceptable.

**Table 28: Debtor management in 2008/2009 to 2012/2013**

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Billed revenue (Rand)	734 488 712	656 792 467	569 562 227	495 790 752	476 941 296
Amount outstanding (Rand)	133 793 538	114 874 603	107 134 431	97 664 910	84 111 440
Amount written off (Rand)	4 816 133	22 154 342	23 252 042	6 863 439	9 767 342
<b>As percentage of billed revenue</b>					
	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Amount outstanding	18.22	17.49	18.81	19.70	17.64
Amount written off	0.66	3.37	4.08	1.38	2.05

### 9.5.3 Financial benchmarking of George Municipality

Apart from the economic benchmarking of George Municipality earlier in the report, it is also possible to benchmark the municipality financially from two points of view: (i) a comparison with metropolitan cities, and (ii) a comparison with financial benchmarks specifically developed for municipalities in the Western Cape.

#### 9.5.3.1 Benchmarking George with metropolitan cities

The comparison of George with nine metropolitan cities<sup>109</sup> (Table 29) indicated that George, although its area is relatively large, had lower values for many of the measures than the metropolitan cities. However, when measures are expressed per 1 000 population, George is on par or even slightly higher than at least some of the metropolitan cities.

<sup>109</sup> John L. 2012. *Secondary cities in South Africa: The start of a conversation*. Background Report. South African Cities Network.

**Table 29: Key metrics of George compared with the smallest and largest corresponding metric of metropolitan cities**

Characteristic	George	Metropolitan cities	
		Lowest	Highest
Service area (km <sup>2</sup> )	5190.4	633	6283
Population	193 672	618 536	4 434 827
GVA (R billion)	5.8	22.8	436.6
City employees	1122 (983 permanent)	2 855	24 254
Total city spending (R billion)	0.94	2.017	28.4
Total salary bill (R billion)	0.249	0.701	6.91
Population density (persons per km <sup>2</sup> )	37.3	119	2 698
Economic density (GVA – R million per km <sup>2</sup> )	1.11	6.90	265.6
City employees per km <sup>2</sup>	0.2	0.6	14.8
City spending (R million per km <sup>2</sup> )	0.18	0.3	17.2
Employee related spending (R million per km <sup>2</sup> )	0.05	0.13	4.2
GVA (R million/1 000 people)	3.0	36.9	98.4
City employees/1000 people	5.79	4.62	6.08
City spending (R million/1000 people)	4.85	2.70	7.25
Employee-related spending (R million)/1 000 people	1.28	1.13	1.79
Population served/city employee	172.6	164.6	216.7
Employee-related spending per city employee (Rands)	221 818	197 844	330 222

### 9.5.3.2 Financial benchmarking with other Western Cape municipalities

The Western Cape government, together with Swartland Municipality, initiated the development of a benchmarking tool to assess the management of municipal finances.<sup>110</sup> They stated that this tool 'will enable our municipalities to put strategic plans in place to ensure financial viability and stability over the short, medium and long-term'. The determination of benchmarks was achieved by combining and averaging the financial results for the 2012 year of the different municipalities in the Western Cape and then comparing that with known best practices, adjusted for public sector activities and material inconsistencies. Table 30 presents a comparison of George Municipality with the benchmarks and Table 31 shows a number of per capita comparisons with average per capita values for Western Cape municipalities.

**Table 30: Financial performance of George Municipality compared to benchmarks developed for the Western Cape government**

No.	Item	George	Benchmark
<b>Revenue management</b>			
1	Ratio - gross profit – electricity as %	34.3	35.0
2	Rental of facilities and equipment as % of revenue	0.3	0.3
<b>Expenditure management</b>			
3	Employee related costs as % of revenue	31.1	32.0
4	Employee related costs as part of operating expenses excluding depreciation and bulk purchases	42.3	50.0
5	Remuneration of councillors as % of revenue	1.7	2.5
6	Remuneration of councillors as part of operating expenses excluding depreciation and bulk purchases	2.4	3.5
7	Depreciation as % of revenue	13.3	7.5
8	Depreciation as part of operating expense excluding bulk purchases	15.4	9.5
9	Repairs and maintenance as % of revenue	6.6	8.0

<sup>110</sup> Municipal benchmarking exercise of Western Cape Government. Accessed at <http://www.westerncape.gov.za/news/municipal-benchmarking-exercise>

No.	Item	George	Benchmark
10	Repairs and maintenance as part of operating expenses excluding depreciation and bulk purchases	9.0	10.6
11	Contracted services as % of revenue	12.5	3.0
12	Contracted services as part of operating expenses excluding depreciation and bulk purchases	17.0	8.0
13	Interest paid as % of revenue	7.2	4.0
14	Interest paid as part of operating expenses excluding depreciation and bulk purchases	9.7	5.5
15	Bulk purchases as % of revenue	30.6	29.0
16	Bulk purchases as % of operating expenses excluding depreciation	29.4	30.0
17	Water distribution losses %	4.5	12.0
18	Electricity distribution losses %	7.1	9.0
<b>Borrowing management</b>			
19	Long term debt as % revenue	61.0	40.0
<b>Working capital management</b>			
20	Acid test ratio (%)	1.6	2.0
21	Current ratio (%)	2.5	2.0
<b>Debtor management</b>			
22	Debtor movement	1.4	5.0
23	Debt impairment as % of revenue on credit	3.0	4.0
24	Outstanding service debtors to revenue (%)	22.3	20.5
25	Debtor turnover days	81.22	75.0
26	Payment level	95.1	95.0
<b>Creditor management</b>			
27	Creditors payment rate (days)	62.7	45.0

No.	Item	George	Benchmark
<b>Cash management</b>			
28	Cash available for capital purposes (%)	76.9	75.0
29	Current liabilities to cash (ratio)	1.0	0.5
30	Cost average (including unspent grants) = (available cash plus investments)/monthly fixed operational expenditure)	3.3	5.0
31	Cost average (excluding unspent grants) = (available cash plus investments – unspent grants) / monthly fixed operational expenditure)	2.6	4.0
32	Cash generated from operations as % of revenue	0.16	0.20

George Municipality compares on the whole very well with the benchmarks. Its employment-related costs and remuneration of councillors are significantly below the benchmarks. Its depreciation is higher and its water and electricity losses are lower than the benchmarks. The one area where a benchmark is exceeded in a worrying fashion is long-term debt, which expressed as a percentage of revenue, is 50% higher than the benchmark figure. The question is if this level of debt can be sustainably carried in the future.

**Table 31: Per capita financial performance of George Municipality compared to average per capita financial performance of Western Cape municipalities**

No.	Item	George	Western Cape average
1	Property rates per capita	R666	R717
2	Service charges per capita	R2,716	R2,355
3	Equitable share per capita	R373	R427
4	Employee cost per capita	R1,285	R1,360
5	Debt impairment per capita	R101	R121
6	Depreciation and amortisation per capita	R551	R410

7	Finance charges per capita	R295	R125
8	Bulk purchases (electricity) per capita	R1,262	R1,033
9	Cash and carry equivalents per capita	R1,130	R900
10	Long-term liabilities per capita	R2,689	R1,093
11	Capital charges per capita	R453	R192
12	Current liabilities per capita	R1,095	R991
13	Total debtors before impairment per capita	R759	R1,037
14	Bad debts written off per capita	R121	R41
15	Cash generated by operations per capita	R653	R667
16	Purchase of property, plant and equipment per capita	R567	R811

Service charges per capita are substantially higher than the Western Cape average and George has been receiving a lower equitable share than the average town in the Western Cape (Table 31). Presumably due to the high long-term loan situation, the long-term liabilities and finance charges per capita of George are substantially higher than those of the average town in the Western Cape. Bulk purchases per capita are also higher for George than for the average town in the Western Cape. George has more 'cash and carry' equivalents and capital charges per capita than the average town in the Western Cape. Its total debtors before impairment are lower and it is purchasing less property, plant and equipment than the average town in the Western Cape.

On the whole, the picture that emerges of the financial management of George Municipality is one of reasonably prudent management, where the long-term health of the municipality is receiving much attention. An issue that causes concern, however, is the sustainability of carrying substantial long-term loans.

## 9.6 Spatial planning of George Municipality

The city is located in one of the most aesthetically pristine and environmentally sensitive parts of South Africa. It is without doubt the main first order service centre of the Garden Route region, yet, it still has the feel of a large town rather than a city. Unlike other major cities or metropolitan areas, it is a city where most middle-class suburban houses are not walled or fenced in (photographs 4 and 5). There are a number of other slightly smaller cities (Mossel Bay, Knysna and Oudsthoorn) in the Southern Cape that

all show an equally high potential for growth. They are all located within the daily urban system of George. This urban system formation fits into what can be defined as a dispersed city.<sup>111</sup>



Photographs 4 and 5: Open access to residential properties in middle class suburbs (Photographs: Authors)

The ideal typical dispersed city consists of a 'number of discrete or physically (but not necessarily politically) separate urban centres in close proximity to each other and functionally interrelated, although usually separated by tracts of non-urban land. The size of these urban places is larger than might normally be expected for centres so closely spaced, and presupposes an economic base other than the provision of services for a surrounding area in which field or row crop agriculture is the dominant activity...A clue to the existence of dispersed cities may be seen in their population size. There should be no predominant city with a population twice that of its nearest rival. Rather there should be several cities in the same size class of population'<sup>112</sup>. This description seems to fit the collection of towns mentioned above.

George is not a city with skyscrapers, many tall buildings, a definite central city and traffic congestion (photograph 4). There is still an old-world charm to the place and lifestyle, where locals say that, if they cannot park in front of the shop or office where they have to be, there is a parking problem. The city has a great number of decade-long established retail businesses but these are now under threat from the in-movement of the branded franchise-styled businesses. The Chinese 'invasion' is also still relatively unseen in the city. The spatial reality of George resembles the same struggles and obstacles of any other town, intermediate city or metropolitan area in the country.

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<sup>111</sup> Burton I. 1963. A restatement of the dispersed city hypothesis. *Annals of the Association of American Geographers* 53(3): 285–289.

<sup>112</sup> Ibid, p. 286



Photograph 6: George's Central Business District skyline (Photograph: Authors)

The city of George is not unique in its spatial dynamics. As a small town, it has experienced dramatic growth in a mere two decades, placing stress on urban space for growth. Typically, the CBD bore the brunt for ill-conceived mimicking of the spatial trends of bigger cities and metropolitan areas by decentralising away from the CBD. The notion of compact city development through densification, corridor developments and mixing of land uses are in place but is only slowly reshaping the city to make it more integrative. Adding to the spatial developmental mimicking of bigger urban places is the rise of gated developments. The level of residential desegregation is way below most other intermediate cities in the country (with the exception of those located in the Western Cape). Yet there is a deep sense of social and racial tolerance.

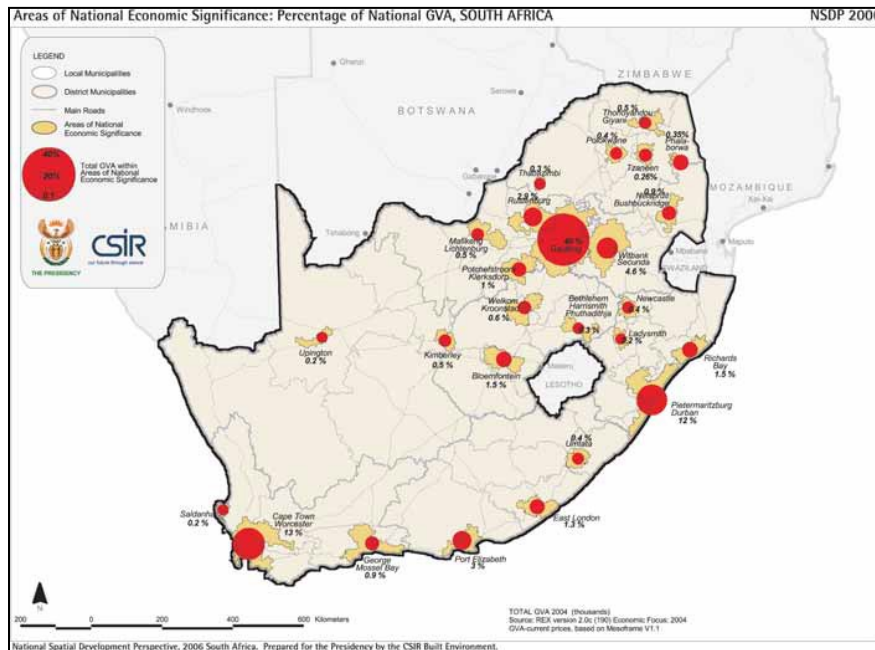
With the focus on George as a city, the existing human settlements need to be restructured and integrated into the larger space economy so that they function more equitably and efficiently as a fully-fledged city that is socially integrated and has a robust economic base. The SDF sets out the action agenda of the municipality's planning and housing department, in order to take the SDF forward. It includes the roll out of a new integrated zoning scheme. The SDF also highlights linkages to complementary municipal programmes (e.g. housing, community facility provision, integrated public transport, bulk services augmentation, etc.), and specifies monitoring and evaluation measures. The SDF gives spatial expression to the municipality's service delivery and development agenda. It clarifies and directs development and management activities in its urban and rural areas and aligns with national and provincial spatial policies. As such, it establishes a credible spatial framework to replace the statutory spatial plans impacting on George Municipality that were approved in the apartheid era. Furthermore, an overarching strategy was prepared for the development and management of George Municipality's space-economy. The municipality's strategy for the development of integrated and sustainable human settlements presented two key themes: a focus on densification of activity nodes and re-development of poorly serviced areas. This approach aims to strengthen socio-economic integration within the greater urban area.<sup>113</sup>

Sadly, although George is one of the oldest settlements in the province, not much of its historic character has remained (photograph 7). The city however tries to maintain the garden city theme in its historical conservation efforts. Within the broader national spatial economy the city is considered in the 2006 NSDP as an area of significance (Figure 20).

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<sup>113</sup> George Municipality. 2012. Water Services Development Plan 2013/2014. p.6.

**Figure 20: George in the context of the NSDP<sup>114</sup>**



Photograph 7: One of a few Art Deco buildings remaining in George

Spatial planning and development in South African cities are inextricably linked to local politics and George is probably not an exception. It is possible that political decisions are having direct spatial manifestations in George. In a study conducted in Cape Town, Turok<sup>115</sup> (2001: 2350) identified four post-apartheid urban spatial trends: decentralisation (a net shift in economic activity away from the CBD

<sup>114</sup> The Presidency. 2006. National Spatial Development Perspective. RSA. Pretoria.

<sup>115</sup> Turok I. 2001. Persistent polarization post-apartheid? Progress towards urban integration in Cape Town. *Urban Studie*, 38(10): 2349–2377.

towards suburban centres; deconcentration (a net shift in economic activity away from established centres towards a more dispersed pattern of development); drift (a steady shift in the centre of economic gravity of the city in a particular direction), and differentiation (a growing tendency for economic centres to specialise in different market segments). To some extent, and given the limitation of data availability, the spatial transformation picture in George resembled some of the four processes of Cape Town. The spatial morphology of the city has changed dramatically since 1995. Three core areas of formal business locations/developments are evident.

First, the CBD node, around York Street, is still the main business node, as was the case in 1995. However, the CBD of George is not characterised by tall buildings and there is not an identifiable centre. As the pressures for office and retail space increased after the 1980s, although – in most instances – the original houses in the immediate neighbourhoods surrounding the CBD remained, they were transformed into business spaces. Office parks also became a feature of the urban landscape (photograph 8).

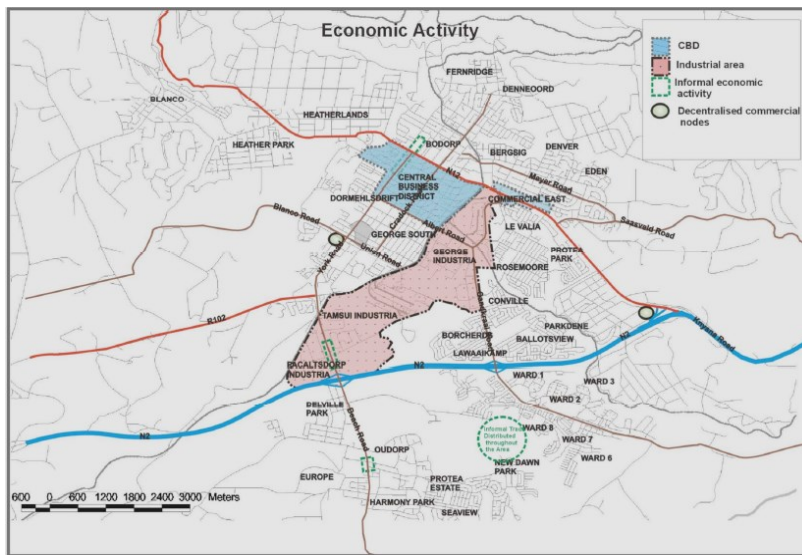


Photograph 8: Office Park as feature of George business space (Photograph: Authors)

Second, a decentralised regional shopping centre and business node, located adjacent the national N2 to the east of the CBD (Figure 21), began to develop from 2005, increasing vacancies in the CBD. In addition, smaller shopping centres are de-concentrated (scattered) throughout the town.

Third, a linear-shaped corridor development has taken shape along the main roads leading from the CBD in the directions of Oudtshoorn and the N2.

**Figure 21: Spatio-economic areas of George**



Developers seemingly have dictated the spatial development process since 2000 and might have for a while been the *de facto* planners of the city. Developers in earlier times convinced the city authorities that the right direction for spatial growth to take place is on peripheral locations (e.g. Kraaibosch and the regional mall precinct). This process has, over the past five years, been stopped and all growth is now directed inward from these peripheral areas.

A municipal official indicated that George might approve major golf estate developments, which seems to be in direct contradiction to the town planning vision for the city. The mall area has now become the major focus area for extensive urban development. A Johannesburg-based firm did a study justifying the location and development scale and type. A high density complex, including a mix of retail, office and high density residential development is taking shape in this node. According to some officials, 'George did not see this coming' and they accepted that the authority might have been somewhat naïve in approving the plan. The George CBD caters for a range of non-branded (franchised) businesses, typically resembling the city of the 'olden days' prior to globalisation and massification of products. There is, thus, a major fear that the businesses still located in the CBD will not be able to compete against the big branded shops of the new regional mall and will ultimately close down, similarly to what happened around the country ten or twenty years back. This node is said to become an area for further developments such as hotels, conference centres and mixed income housing, within a state-of-the-art green development corridor.

Another spatial outcome has been the growth in gated developments (photographs 9 and 10) that contrasts with the general open character of the city. A study in the Western Cape of areas outside Cape Town showed that gated residential security estates are most abundant in the local municipalities of George (35) and Overstrand (29) followed by Mossel Bay (27) and Knysna (24).<sup>116</sup> This form of development has been criticised as fuelling spatial segregation and disrupting the spatial flow of the city and the SDF and stakeholders are in agreement that it has to be curtailed. However, there is pressure from developers and possibly from some councillors to approve such applications.

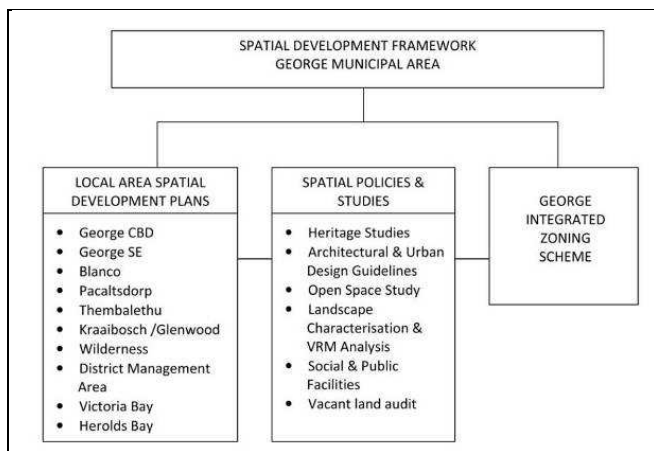
<sup>116</sup> Spocter M. 2011. Spatio-temporal aspects of gated residential security estates in non-metropolitan Western Cape. *Urban Forum*, 22 (2): 169-181.



Photographs 9 and 10: Gated developments on the periphery of the city (Photographs: Authors)

Over the period 2003 to 2009 six drafts of the George municipal SDF were prepared. In 2009 the Built Environment Support Programme’s review of the SDF established that the recent severe downturn in George’s economy was not factored in and that important new information on biodiversity, infrastructure and rural development had to be incorporated. The latest SDF (2013) forms part of the land use planning and management system that George Municipality introduced.<sup>117</sup> Figure 22 illustrates key components of this land use planning and management system within which the SDF provides the municipality with the overarching spatial goals, principles, structuring elements, strategies and policies to implement its development and service delivery agenda.

**Figure 22: George municipal land use planning and management system<sup>118</sup>**



<sup>117</sup> While the SDF provides guidelines for the development and conservation of land within the municipal area, it does not confer or take away land use rights. This is the role of the new Municipal Integrated Zoning Scheme, which standardises land use regulations across the municipal area in line with the SDF’s objectives (George Municipality. 2013. George Municipal Spatial Development Framework).

<sup>118</sup> George Municipality. 2013. Spatial Development Framework. p.13.

An updated SDF for George Municipality is in place and will guide all future urban and rural settlement developments. The current SDF comprises five spatial objectives. First is the restructuring and integration of the dysfunctional urban fabric, done in-sync with a public transport system and urban renewal interventions. Second is the strengthening of economic vitality, by enhancing the regional and local space economy, developing strategies to diversify and strengthen the economy, consolidating and reinforcing nodes of economic activity, and providing infrastructure services. Third is creating quality living environments through sustainable urban growth management, managing a hierarchy of city activity nodes, using strategic vacant land to take up new development demand, the densification of urban areas, and providing housing and public facilities. Fourth is safeguarding the environmental integrity and assets by establishing a city-wide open space system and environmental corridors, maintaining the functionality of critical biodiversity areas, applying the principles of the spatial planning categories, mitigating against impacts of climate change, and managing visual landscapes and corridors as well as heritage resources. Lastly, the SDF sets out to enhance the rural character and livelihood by protecting the productive landscape, managing the subdivision of land and promoting integrated rural development.<sup>119</sup> All these stated spatial objectives one would probably find in most SDFs of intermediate cities and metropolitan areas in the country.

SDF maps are spatial depictions of an IDP and should be interpreted as the tool that integrates all sector plans. The existing spatial structure of George is shown in Figure 23. The following spatial characteristics are pertinent:

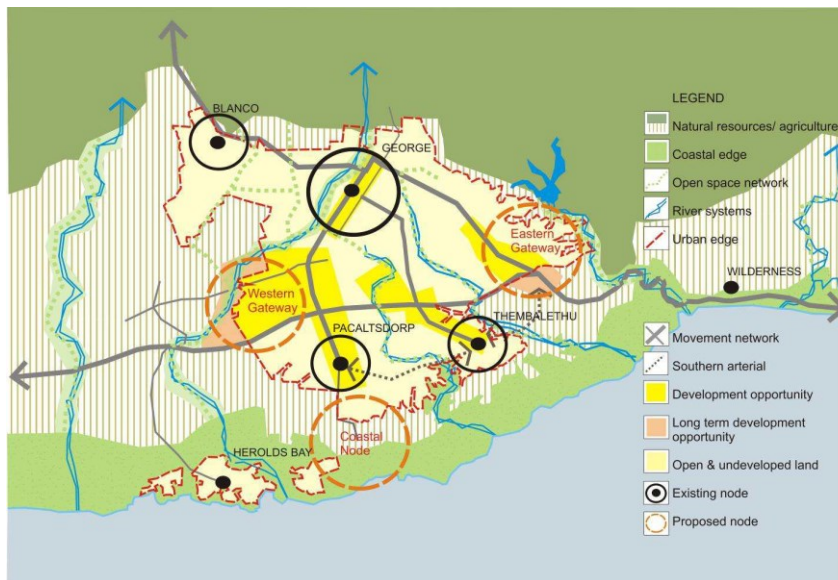
- George is an 'old' town relatively well off in terms of access to opportunity, commercial activity and public facilities.
- The space economy of George is focused in a triangle of opportunity, comprising of the existing CBD business node, the emerging Kraaibosch/Blue Mountain commercial node, and the Pacaltsdorp industrial node.
- George includes less well-off areas on the periphery of the old town, which mainly serve as dormant neighbourhoods with little economic opportunities, namely:
  - the older settlements of Blanco and Pacaltsdorp
  - George South East (north of the N2)
  - the newer area of Thembaletu.
- There has been a gradual shift of commercial development away from the old CBD focused on York Street, towards Courtney Street and 'mall' type developments closer to the N2.
- The N2 forms a major barrier between poorer neighbourhoods in the south and better resourced neighbourhoods in the north.
- There is increased and significant 'estate' type development in the vicinity of Herold's Bay, Kraaibosch and Kingswood.

**Figure 23: George's spatial structure: current and future<sup>120</sup>**

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<sup>119</sup> George Municipality. 2013. Spatial Development Framework. pp.6–7.

<sup>120</sup> George Municipality. 2013. Spatial Development Framework. p.24.



The spatial challenges faced by George are no different to those faced by any other intermediate city in the country. Typically, such interventions will entail densification, taking up strategic vacant, addressing housing backlogs and catering for a growing gap-housing market, dedicated nodal developments and linking these with transport corridors as well as an integrated public transport system. To this end, George's SDF is guided to:

- Restructure the George urban fabric to integrate the segregated communities south of the N2 into the larger space economy of the emerging city.
- Contain urban sprawl and the resultant loss of natural and agricultural assets, increased servicing costs, excessive movement between places of work and residence, and inadequate thresholds for smaller enterprises to develop.
- Revitalise the old CBD and strengthen the role of other urban nodes.
- Integrate opportunity-rich areas of George and poorer areas through, amongst other means, public transport and non-motorised transport.

Three future growth nodes have been identified. The Western Gateway (industrial node), Eastern Gateway (mixed node around existing mall) and Coastal node (high-tech park) (Figure 23).

The most exciting spatial restructuring plan in the city is undoubtedly the George Integrated Public Transport Network (GIPTN), the first project of its kind in an emerging intermediate city in South Africa. The promulgation of the National Land Transport Act, 2009, has resulted in the conclusion of new operator contracts being devolved to the local authority in terms of which the Municipal Systems Act, 2000 (section 78) must be applied. The promulgation of new legislation has resulted in the contracting function of new public transport services, such as George Mobility Project, being devolved to local authorities.<sup>121</sup> The plan is at present being rolled-out for full implementation in 2014. Non-motorised forms of transport, specifically walking, are generally the primary mode of transport in rural or non-metropolitan areas, not always as the preferred mode but often due to a failure of the public transport system to deliver a service that is accessible and affordable. In the context of George, the average commuter walking

<sup>121</sup> Department of Transport and Public Works, [http://www.westerncape.gov.za/other/2011/3/vote\\_10\\_infra.pdf](http://www.westerncape.gov.za/other/2011/3/vote_10_infra.pdf)

distance is estimated as 5.1 km for some 45% of the workforce.<sup>122</sup> GIPTN aims to provide safe, affordable and reliable public transport to give all members of the George community access to social, economic and employment opportunities. It involves the transformation of the existing local bus and minibus industries and supports non-motorised transport. The new George bus services will run 18 hours a day, 7 days a week, over a fully integrated public transport network that links residential areas with business centres, medical facilities, and recreational areas (Box 4).

It is suggested that the economy of George will benefit from the transformation process in a number of ways through:

- the injection of infrastructure capital on bus routes, the depot and inter-urban bus terminus
- on-going maintenance support in order to ensure that high standards are maintained
- public transport operational support through subsidy,
- resultant increased levels of disposable household income
- increase range of travel mode options at an affordable rate.

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<sup>122</sup> Ribbonaar D and van den Berg L. 2008. Public transport system transformation within the context of [missing]. Proceedings of the 27th Southern African Transport Conference (SATC 2008) 7–11 July 2008. ISBN Number: 978-1-920017-34-7. pp 491–498.

#### Box 4: Context of the George Integrated Public Transport Network (GIPTN)<sup>123</sup>

The municipality in its role as the contracting authority is responsible for providing public transport services. It will subcontract a public transport company to operate the services on the basis of a per-kilometre rate, with revenues in the network collected by the municipality. Because of the national grant funding conditions, the initial fleet of vehicles must be owned by the municipality, and will be maintained by an external service provider and leased to the operating company. In terms of the National Land Transport Act, the municipality is the contracting authority for the GIPTN. However, the Department of Transport and Public Works (DTPW) in the Western Cape provincial government will also play a large role in the establishment and operation of the new service. The municipality and the provincial department have entered into an Inter-Governmental Agreement (IGA) for the joint exercise of functions to allow for provincial support and capacity building. This agreement says that the municipality and the department will jointly sign all GIPTN contracts for the first 12-year contract period. The municipality and the department have also entered into a financial agreement that supports the IGA and describes financial responsibilities for infrastructure funding and operational support. The DTPW is responsible for operational functions and operating financial commitments during the first operator contract period, until an agreed-upon date of transfer. This includes staffing a GIPTN management unit to manage operations. DTPW will also assist the municipality during this time with capacity building. The municipality is responsible for strategy, oversight and stakeholder engagement from the outset. Once the municipality has sufficient capacity, during the first contract period, all GIPTN responsibilities will be transferred to it.

A further benefit is that a more stable working and financial environment will be created for those involved in the local public transport industry. In many ways, the improvement programme must also be seen in the context of the Expanded Public Works Programme (EPWP). For the infrastructural component, EPWP will be directly applicable. This includes building new public transport stops, public transport depot and holding areas, and the upgrade of some community streets to give access to vehicles for local services, together with the surrounding pedestrian environment. The operational component of the project also results in jobs being created, as the improved transport system relies on the development of a wide range of skills and necessitates additional services over those currently required, such as service monitoring and independent fare collection services, given a subsidised gross contract environment.<sup>124</sup>

Housing development can serve as a catalyst for socio-spatial integration. As is the case elsewhere in the country, this has been a lost opportunity in George as well. A study conducted in 2000 revealed that a series of conversations with political leaders, city councillors, the mayor, city administrators, and residents of George showed that economic development and providing housing and equity for black residents are the primary goals of the spatial redress. In fact, the mayor said quite explicitly that the goal of the city housing plan is to provide housing and equity for black residents, not integration.<sup>125</sup> A human settlement plan and a housing strategy are in place for George Municipality's management area. The main obstacles to the provision of integrated sustainable human settlements are the financial situation of the George Municipality and the lack of inexpensive vacant land. Further critical concerns are the existing housing

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<sup>123</sup> [http://giptn.co.za/images/news/HR\\_Business\\_plan.pdf](http://giptn.co.za/images/news/HR_Business_plan.pdf)

<sup>124</sup> Ribbonaar D and van den Berg L. 2008. Public transport system transformation within the context of George Municipality. Proceedings of the 27th Southern African Transport Conference (SATC 2008) 7–11 July 2008. ISBN Number: 978-1-920017-34-7. pp 491–498.

<sup>125</sup> Lanegran D. 2000. The post-apartheid city and the globalization of eroding the landscape of apartheid. *Macalester International* 9(9): 269–278.

backlogs, the backlogs in infrastructure and services and the rate of housing delivery of the municipality because of a lack of funding.<sup>126</sup>

Two specific success stories in terms of spatial growth are the following:

- Notwithstanding the overall decline in the property and construction market since the recession reared its head in 2007, retirement developments have prospered (photograph 11). This again emphasises the unique niche market of the city, perhaps contrary to all the other case studies of emergent secondary cities.
- Private investment in the Thembaletu township mall development (photograph 12), as opposed to it being part of an area-based approach, such as the national Urban Renewal Programme, typifies the confidence of private investors in this township. This is perhaps not in the same league as the metropolitan cities but it could be different from other secondary cities.



Photograph 11: Retirement development, 2013 (Photograph: Authors)



Photograph 12: Township mall, 2013 (Photograph: Authors)

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<sup>126</sup> George Municipality. 2012. Water Services Development Plan 2013/2014. p.6.

## 9.7 Engineering services

### 9.7.1 Civil engineering services

The Civil Engineering Services consist of seven divisions: Director's Office, Planning and Project Management, Roads, Stormwater, Water, Sewerage and Transport. Each of the divisions has specific KPIs and the degree to which these were achieved in 2012<sup>127</sup> is summarised in Table 32.

**Table 32: The degree to which KPIs were met by Civil Engineering Services**

KPI	Director's Office	P and P M*	Roads	Stormwater	Water	Sewerage	Transport	Total Civil Engineering Services
Not met	-	-	-	-	-	-	-	-
Almost met	1	-	-	-	1	2	-	4
Met	6	10	2	4	3	5	1	31
Well met	4	2	-	-	5	1	-	12
Extremely well met	6	-	-	-	2	-	-	8
Total	17	12	2	4	11	8	1	55

\* P and PM = Planning and Project Management

George has several raw water sources: The Swart River with a pumping scheme on the Kaaiman's River discharges into the Garden Route Dam. An ultra-filtration plant at the Outeniqua wastewater treatment system can also discharge filtered water into the Garden Route dam. Water from the Malgas River is discharged directly into balancing dams at the water purification plant. Several boreholes can also be used. The Touw River supplies Wilderness, the Haarlem Dam supplies Haarlem and the Holdrif River supplies Uniondale. There are 860 kilometres of pipelines, 28 water pump stations, 40 reservoirs and 3 water towers. Water supply in 2012 amounted to 1.75 million m<sup>3</sup> to industries and 5.58 million m<sup>3</sup> to domestic users. Unaccounted-for water losses amounted to some 2 500 m<sup>3</sup>.

According to a municipal official<sup>128</sup> a key future challenge for George is not the non-availability of water resources but getting permission from the Department of Water Affairs to increase the height of the wall of the Garden Route Dam.

In 2011/2012, water that was of a standard that met or exceeded minimum service levels was delivered to 41 272 households (99.88% of total). Water was delivered as follows: piped water inside dwelling –

<sup>127</sup> George Municipality. 2012. Annual Report 2011/2012. pp.125–28.

<sup>128</sup> Personal communication from a municipal official.

35 419 households; piped water inside yard – 1 384 households; public taps (within 200 m of dwelling) – 285 households; and other water supply (within 200 m) – 4 184 households.

Steps taken in George during the two-year drought and urban water scarcity emergency, illustrated a wide range of technical, budgetary and public awareness measures adopted by the municipality. This specifically underlines the importance of locally available skilled engineering and local risk management capacity to expand municipal infrastructure in the form of additional boreholes and the provision of a new waste-water treatment facility. It also underlines the importance of local political commitment and administrative capabilities to reprioritise budgets, actively change public attitude and enforce changed consumption patterns.<sup>129</sup> Further evidence to sustainable management of water resources is the fact that George was ranked tenth in the country in 2012, with a Blue Drop score of 97.4.<sup>130</sup> Although the broader Eden District Municipality has the highest risk profile in the province (94.1), George Municipality has the third lowest in the province (34.8).

The identification of Water Services Development Plan projects necessary to ensure the provision of adequate levels of water and sanitation services is based primarily on the findings of the Water and Sewer master plans. Master planning is typically based on a forward planning horizon of 20 years, but is usually updated every two to four years, taking into account improved water demand estimates and subsequent infrastructure developments that may have taken place.<sup>131</sup>

Only 81 employees (71 vacancies) were involved in Water Services.<sup>132</sup> Out of a budgeted (adjustment budget) R15.47 million for capital expenditure on water networks, R15.07-million was spent. R12.98-million was budgeted for capital expenditure on water purification but only R2.95-million was spent, due to the delay in permission for the upgrading of the Garden Route Dam.

A sewer reticulation of 835 kilometres and 106 pump stations serve George. Wastewater is treated at seven wastewater treatment plants, of which one at Uniondale is being upgraded.<sup>133</sup> There is a master plan that is upgraded regularly. George Municipality was awarded one green drop with a green drop score of 90.5% by the Department of Water Affairs (DWA).<sup>134</sup> Two thirds of its wastewater treatment systems achieved more than 50% and the risk profile was 56.8%. George was in the second position in a DWA comparison of municipalities in the Western Cape (excluding Cape Town Metropolitan Municipality).

Flush toilets served 35 308 households, chemical toilets (including ventilated latrines) served 1 416 households, and 4463 households were served by other systems.<sup>135</sup> Ninety-nine per cent of households

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<sup>129</sup> Disaster Mitigation for Sustainable Livelihoods Programme. 2012. Southern Cape drought disaster: 'The scramble for water'. Stellenbosch University. p.49.

<sup>130</sup> Note on Blue Drop rankings: Blue Drop certification goes beyond the quality of drinking water alone but ventures into the sphere of risk management, operations and asset management.

<sup>131</sup> George Municipality. 2013. Water Services Development Plan 2013/2014. p.45.

<sup>132</sup> George Municipality. 2012. Annual Report 2011/2012. pp.133.

<sup>133</sup> George Municipality. 2012. Annual Report 2011/2012. pp.134–136.

<sup>134</sup> Department of Water Affairs. 2012. *Green Drop Assessment: Overview*. Accessed at: [http://www.dwaf.gov.za/dir\\_ws/gds/Default.aspx?ProvId=1](http://www.dwaf.gov.za/dir_ws/gds/Default.aspx?ProvId=1)

<sup>135</sup> George Municipality. 2012. Annual Report 2011/2012. p.134.

received minimum or better service and only 414 households had no toilet provisions. Seventy-one employees (76 vacancies) were involved in providing these services. Of R21.141-million in the adjustment budget for capital expenditure on sewerage networks, R21.129-million was spent. The expenditure of R9.171-million in the adjustment budget for capital expenditure on wastewater treatment works was exceeded by R354,000.

### 9.7.2 Electro-technical Services

The significant increases in the price of electricity from Eskom have severely affected George Municipality. Uniondale was recently taken over by George Municipality and, after obtaining agreement with the National Energy Regulator of South Africa (NERSA), became incorporated into the George supply. Energy losses for George were measured at 5.74% against a national average of between 10% and 12%.<sup>136</sup> This was ascribed to excellent management of the municipal metering systems. Households that received the minimum service level and above numbered 35 307 (87.7% of a total of 40 245), of which

33 842 households used prepaid services. The number of households receiving less than minimum service levels numbered 4936 (12.3% of the total). Employees involved with these services numbered 116 (with 58 vacancies). Of the R38.615-million allocated in the adjustment budget for capital expenditure on electrical services, R36.414-million was actually spent.

The performance against KPIs for the Electro-Technical Engineering Services is summarised in Table 33.<sup>137</sup> By and large the Electro-Technical Engineering Services did quite well: a performance of 34 out of 45 KPIs was satisfactory or better. However, eleven KPIs were not yet met – representing almost 25% of all KPIs – indicating scope for further improvement.

**Table 33: Summary of the extent to which different KPIs of the Electro-Technical Engineering Services were met**

Key Performance Indicators (KPI)	Electro-Technical Services	Director: Electro-Technical Services	Planning	Administration	Engineering Services	Distribution	Services	Fleet Management
KPI not met	8	4	1	-	1	-	-	2
KPI almost met	3	3	-	-	-	-	-	-
KPI met	24	8	9	-	3	-	2	2
KPI well met	6	1	2	2	-	1	-	-
KPI extremely well met	4	3	-	-	1	-	-	-
<b>Total KPIs</b>	<b>45</b>	<b>19</b>	<b>12</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>4</b>

### 9.7.3 Other basic services delivery

<sup>136</sup> Municipality George Municipality. 2012. Annual Report 2011/2012. pp.136–139.

<sup>137</sup> George Municipality. 2012. Annual Report 2011/2012. p.127.

According to the George Municipality Annual Report 2011/2012, George obtained second place in the Cleanest Town Competition (2010/2011) and first place in the Greenest Town Competition (2011/2012).<sup>138</sup> The municipality maintained the national standard of one refuse collection per household per week.<sup>139</sup> All refuse (some 31 000 tons) is compacted in huge containers and transported to PetroSA in Mossel Bay, where it is disposed. In addition, some 1200 tons were recycled during 2011. Green waste and builder's rubble were disposed in a landfill site developed for that purpose. A composting system was planned to come into operation in 2013. Illegal dumping of waste materials remained a problem area and a public education project was initiated.

On the whole, the Engineering and Technical Directorates performed quite well and delivered good services to the various George communities. This was borne out by a lack of public complaints or demonstrations about basic service delivery. The Engineering and Technical Directorates update their goals regularly and understand their challenges clearly. They are positioned to serve the residents of George well in the future.

## 9.8 Innovation, knowledge economy and human capital formation

It has been mentioned in the stakeholder interviews that one of the regrets (and wishes) of George is the fact that it never developed as a university town. Saasveld Forestry College (Photograph 13) and the Southern Cape College are the only two tertiary educational institutions that have a presence in George. The Port Elizabeth Technikon took over the Saasveld Forestry College from the Department of Forestry in 1985 and, with the amalgamation of universities in the early 2000s, the Technikon was incorporated with the University of Port Elizabeth to become Nelson Mandela Metropolitan University (NMMU). Today the campus caters for three faculties: science, commerce and education. The municipality is apparently in talks with other tertiary institutions to also open up satellite branches in the city.



Photograph 13: Saasveld Campus of NMMU, 2013 (Photograph: Authors)

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<sup>138</sup> George Municipality. 2012. Annual Report 2011/2012. p.34.

<sup>139</sup> George Municipality. 2012. Annual Report 2011/2012. p.140.

Innovation hubs are seen as catalysts to unlock development potential in cities. Innovation hubs in metropolitan areas and intermediate cities such as Pretoria, the Coega Technology Park and the Stellenbosch Techno Park are probably the best known examples of this type of geographical clustering of innovative businesses in South Africa. Each of these has different aims and objectives, started from different points and has grown along different trajectories. Internationally it has been shown that there is no blueprint for a science or technology park.

As part of the SDF's Hansmoeskraal node (photograph 14) a high-tech science park is planned to accommodate science, technology, research, training and related services. The idea was also incorporated in the Economic Revitalisation Policy as a Special Development Node, with the intention to attract investors to the area with incentives offered by the municipality. The overall aim from a spatial planning perspective was to unlock the potential of this area and contribute to a restructured town and a new economic drive that will benefit all. To this end, the Hansmoeskraal Science and Technology Precinct Plan was commissioned in 2011, and included an extensive section on Science and Technology Parks. Although a thorough piece of work, the above report remains a desktop study, based on theoretical information. The concept cannot be faulted, but questions can be asked about the aspirational levels of the plan versus the realities, timelines and cost implications of the concept.<sup>140</sup>



Photograph 14: Proposed site for high-tech science park (Photograph: Authors)

Although the IDP and SDF of George Municipality are optimistic about the plan there are some concerns about the actual status, costs and its feasibility.<sup>141</sup> Notably, the absence of a large fully fledged university is a concern. Similarly the lack of specific local innovation that might drive a business case for a science park would have to be researched and unpacked further. The view of the role-players interviewed is that science parks can be strong drivers for regional growth, but can only be established at significant cost

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<sup>140</sup> Bunding-Venter C. 2013. Report: international associations of science parks and areas of innovation African division workshop, 8–10 April 2013, NMMU, Port Elizabeth.

<sup>141</sup> Bunding-Venter C. 2013. Report: international associations of science parks and areas of innovation African division workshop, 8–10 April 2013, NMMU, Port Elizabeth.

and input, usually by national government.<sup>142</sup> It can be deduced that extensive government investment is required, especially with the setup of a green field science park, as is the case in George.

Within the South African context, with Special Economic Zones (SEZ) receiving massive funding, and with a number of innovation spaces incorporated within the SEZs, the chance of securing national government funding for George in the near to medium term seems slim. NMMU is well advanced in setting up a science park at their Port Elizabeth campus, and has shown interest in pursuing and assisting with a satellite type development in George (as is the case with East London – Coega). Although the spatial context for a science park has been created, the pursuit of a science park or area of innovation for George will require additional and dedicated capacity and resources or investment in expanding existing information technology infrastructure on the Saasveld campus. The process, depending on which scenario the city will follow, may take between 10 and 20 years.<sup>143</sup> Such a special investment node will, however, only take shape if done with national and provincial support.

## 9.9 Management of the rural hinterland

The concept of networked settlement involves creating stronger links within the rural hinterland, in order to facilitate ease of access to markets, services and facilities through a wide range of transportation modes.<sup>144</sup> The concept of a network of cities and towns provides guidance to the George SDF and also fits in nicely with the Eden SDF, which professes the same concept. The concept supports the idea that the settlements work together in order to create a whole – in other words, the district itself can be viewed as consisting of an integrated system of regional urban centres, towns, villages and hamlets. The settlement hierarchy of George municipal area is shown in Figure 24 and Table 34. In order to guard against the creation of a post-productivist landscape, the SDF is very pertinent on the issue of subdivision of rural land into smallholdings. Such practices are discouraged and no new areas of smallholdings shall be established.<sup>145, 146</sup>

Apart from maintaining the status quo, there are two trends discernible as far as agricultural land use is concerned. The first one is the tendency to utilise former farm lands for residential development. The second trend is where game is re-introduced in former stock farms. These farms are then developed for

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<sup>142</sup> This is, off course, not always the case. Silicon Valley, New England, and Stellenbosch were mainly initiated and driven by academics and not the state.

<sup>143</sup> Bunding-Venter C. 2013. Report: international associations of science parks and areas of innovation African division workshop, 8–10 April 2013, NMMU, Port Elizabeth.

<sup>144</sup> Page JH. 2012. [http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page\\_JH\\_Chapter\\_4.pdf?sequence=5](http://dspace.nwu.ac.za/bitstream/handle/10394/8512/Page_JH_Chapter_4.pdf?sequence=5)

<sup>145</sup> George Municipality. 2013. Spatial Development Framework. p.47.

<sup>146</sup> The Conservation of Agricultural Resources Act No. 43 of 1983 provides for the conservation of natural agricultural resources and the Subdivision of Agricultural Land Act No. 70 of 1970 prevents the subdivision of viable agricultural portions smaller than nine hectares.

eco-tourism. At the same time, an increase in population or per capita income will necessarily lead to an increase in demand for agricultural products.<sup>147</sup>

**Figure 23: Overall environmental and rural spatial concept and settlement hierarchy<sup>148</sup>**



**Table 34: Settlement hierarchy<sup>149</sup>**

Rank order	Larger urban settlements, towns and cities	
1	Greater George (including Blanco, Pacaltsdorp, Thembalethu)	Significant regional commercial, service and administrative centre, industrial node, transport and logistics hub: an emerging 'regional' city with well-integrated residential and higher order activity centres
2	Wilderness	Coastal residential, tourism, and local business node, recreation area.
2	Uniondale	Rural service centre.
3	Herold's Bay	Coastal residential village (including self-contained resorts), recreation area.
3	Touwsrante	Dormitory residential area with local services.
4	Hoekwil	Dormitory residential area with local services.
4	Victoria Bay	Coastal residential village, recreation area.

<sup>147</sup> Pauw J. 2009. Challenges to sustainability in the Garden Route: water, land and economy. NMMU, George campus, p.34. <http://sru.nmmu.ac.za/sru/media/Store/documents/Publications%20and%20Reports/Pauw,-2009--Challenges-to-sustainability-in-the-Garden-Route---.pdf>.

<sup>148</sup> George Municipality. 2013. Spatial Development Framework. p.39.

<sup>149</sup> George Municipality. 2013. Spatial Development Framework. p.38.

Rank order	<b>Larger urban settlements, towns and cities</b>	
4	Kleinkrantz	Coastal residential village, recreation area.
4	Haarlem	Dormitory residential area with local services.
<b>Small rural settlements, places and areas</b>		
n/a	Avontuur	Agricultural settlement held by one land owner.
n/a	Barandas	Agglomeration of smallholdings and houses focused on old station.
n/a	Bergplaas	Remote forestry village.
n/a	Collinshoek	Remote forestry village.
n/a	De Vlugg	Small settlement based on tourism and limited agriculture.
n/a	Eseljacht	Significant rural agricultural area.
n/a	Geelhoutboom	Significant rural agricultural area.
n/a	Herold	Agricultural settlement located on commercial farm.
n/a	Hoogekraal	Significant rural agricultural area.
n/a	Noll	Agricultural settlement consisting out of a number of smallholdings.
n/a	Rooirivier	Agglomeration of farm worker houses related to two commercial farms.
n/a	Sinksbrug	Significant rural agricultural area.
n/a	Waboomskraal	Agricultural settlement located on commercial farm.

Given the developed nature of the Eden District economy, the role of agriculture has dwindled – from contributing close to 10% of GDP-R in 1995, this has shrunk to 5.5% in 2010 (or close to 6% on average over the period 2005 to 2010). The real value added by agriculture, forestry and fishing grew by 0.6% per annum over the 2000s. While the sector is well spread throughout the Eden District, it is only in Hessequa (16%) and Kannaland (23%) that the sector makes a large contribution to the respective municipal GDP-Rs, i.e. the smallest two municipal economies. Over the 2000s, George has developed away from its primary and secondary sectors to a services-oriented economy. The towns with high to very high developmental potentials in the Eden District include George, Oudtshoorn and Mossel Bay; however, these towns are regarded as regional centres and their economies have diversified away from agriculture.

There is a widely recognised mismatch between land reform, under a national government department, and decentralised processes of LED. While municipalities are required to address issues of land reform, settlement and agriculture in their IDPs, it is clear that this seldom happens. Land reform gets filtered out of IDPs in favour of higher priorities, and land for urban settlement development is usually prioritised over rural and agricultural land (where municipalities have been hesitant to use their jurisdiction). Municipalities

have been largely absent as players in land reform, other than making available commonage land.<sup>150</sup> One example of an emerging, proactive, needs-based approach is the grazing forum in Eden District Municipality, which includes small livestock owners, municipalities, Department of Land Affairs, and the Southern Cape Land Committee (SCLC). In response to the problem of livestock being impounded because their owners do not have access to grazing land, this forum is exploring opportunities to provide access to existing commonage, and proactively acquire additional commonage to meet the needs of this group.<sup>151</sup>

## 10. Synthesis

The importance of George as a national economic and development role-player has been evident since the 1980s. Recognised as a secondary city, George has been variously identified as part of the development of a decentralisation programme, as a growth point, and as part of a strategy towards policy formulation for national urbanisation. Similarly, in the 2000s the NSDP identified the city and region as areas of national economic significance.

The city is located in one of the most aesthetically pristine and environmentally sensitive parts of South Africa. It is without doubt the main first order service centre of the Garden Route region, yet, it still has the feel of a large town rather than a city. There are a number of other slightly smaller cities in the Southern Cape (Mossel Bay, Knysna and Oudsthoorn) that all show an equally high potential for growth and are all located within the daily urban system of George. This urban system formation fits into what can be defined as a dispersed city or a polycentric network of cities (towns). Some other intermediate cities are provincial capitals. George can, potentially, play a bigger role as a decentralised regional headquarter of the Western Cape government. A number of decentralised provincial offices have opened up in George and, apparently, more are in the pipeline.

What are the prospects in George for economic growth? A growth potential study of Western Cape towns by the University of Stellenbosch indicated that George has a high growth potential. The question is whether this potential can be realised. The study showed a lot of positives, but also some negatives. As a supportive and productive municipality, George is limited by the size of financial and other resources at its disposal. Some of its structural decisions do not make much economic sense, e.g. the separation between the management of LED and tourism.

The racial geography of the city is characteristic of the Western Cape and, therefore, distinctly different to other intermediate cities in South Africa. This dynamic makes for a more complex racial geography in all spheres of life. In this regard, black people are typically disenfranchised, due to the legacies of the apartheid era. This geography also reflects in the local politics; in George, the nationally leading ANC party is not in power specifically due to the coloured vote. Although the province is under the same political authority as the city, any change in power would make the city uneasy with its second- tier and

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<sup>150</sup> Hall R. 2009. Land reform how, and for whom? Another countryside? Policy options for land and agrarian reform in South Africa. Plaas, University of the Western Cape. p.72.

<sup>151</sup> Hall R. 2009. Land reform how, and for whom? Another countryside? Policy options for land and agrarian reform in South Africa. Plaas, University of the Western Cape. p.73.

first-tier governance structures. This is not the situation in most other intermediate cities around the country.

Without a strong industrial base and in the absence of a strong agricultural sector the future growth scenario for George is thought to be in the knowledge-based economy. This growth path is, however, viewed with both scepticism and optimism. Nevertheless, from a macro-economic policy point of view George illustrates that it is possible for a South African town to grow into an intermediate city with a balanced economy, without the benefits of mineral exploitation.

Historically George has been, and still is, far removed from the large national and international markets. Its isolation and difficult topography necessitates good road and air connections and, unfortunately, make it subject to the ravages of natural disasters, such as flood events. These limitations reduce the ability of many entrepreneurs in George to compete effectively in external markets and contribute to negative events, such as the recent decision by McCain to terminate its production activities in George. LED choices in George are, therefore, much more difficult than those of other intermediate cities that are nearer to large South African markets or are able to service foreign markets through good harbour infrastructure. There might be much to learn from successful cities in countries such as Italy, or from clustering concepts in, for example, agro-industries.

A narrative expressed by all stakeholders in George is that one of the city's main characteristics, socially, economically and developmentally, is that it is a retirement destination option. As for all other South African intermediate cities, George has to overcome the legacies of the apartheid years. Yet, at the same time, it has to ensure that those components that have contributed to its rapid growth over the past two decades are not neglected. In this regard, it is surprising that, although the significant economic impacts of elderly, affluent 'inkommers', foreign 'swallows' and large numbers of tourists and holiday makers are acknowledged, the exact magnitude of their impacts are still somewhat obscure. A lot of spatial planning and city marketing revolves around the promotion of the city for retirement. In terms of learning international lessons on how to plan for such city growth, the city should look at the so-called sunbelt region of the United States, where people in the third age sought protected environments, away from violent urban areas and located in warmer climate zones. The growing black middle class ('black diamonds') perhaps offer an opportunity to grow the retirement market. Would this, however, result in a situation where South African 'haves' continue an overall patronising but largely exploitive business model? Frank policy discussion of this issue is needed.

Managing a potentially fast-growing area, such as George – an intermediate city located within a very sensitive biodiversity context – puts the city on another level when compared to other intermediate cities. Pressures for land to be developed, ultimately encroaching the biodiversity areas and placing strain on the natural environment, require comprehensive and sustainable strategies. Although these are in place, the impact of pressures for development in the long run will not go away and will call for new and dynamic strategies on how to deal with the urbanisation of George. A biodiversity sector plan has been formulated; and George is probably the only intermediate city in the country that has such a plan.

Smaller cities in a context of rapid growth have the option to reshape themselves for the better. George, to some extent, failed in this regard, merely mimicking failed responses to urban integration challenges of bigger cities and metropolitan areas, such as decentralisation of business space, class-based segregation and gated developments. Transport planning as a post-apartheid restructuring strategy is often considered an Achilles' heel, but in George the new Integrated Public Transport Plan is said to set the city apart from other intermediate cities. Having negotiated buy-in from all role players, including the temperamental taxi industry, is indeed a sign of a city authority and civil society that function well.

The net result of the dramatic growth experienced in George resulted in rapid migration of mostly unskilled and unemployed persons from the Eastern Cape. Today there are approximately 23 000 persons on the waiting list for state subsidised housing. On the opposite side of the spectrum, since 2009 the economic recession has impacted dramatically on the construction industry. Today, there are 29 000 empty residential stands (albeit serviced) for middle and upper-income groups.

Growing unemployment, the number of indigent recipients and HIV rates are issues that need to be addressed as a matter of policy urgency.

On an institutional level, the city cannot compete with metropolitan areas. The lack of funding to employ more qualified and experienced staff in key positional departments is seen as a major inhibitor for further growth.

The city authority acknowledges that George's socio-economic future will be largely determined by a shared transformational view of the future. International evidence has shown that communities that have a shared vision of their future do better than communities without it. Strong leadership is an absolute requirement to develop a shared vision of the future and to align and commit people to its achievement. Leaders in George will have to rise to this challenge.