

UGU DISTRICT MUNICIPALITY – 2008/09 IDP REVIEW

EXECUTIVE SUMMARY

THE AREA AT A GLANCE: OVERVIEW

The Ugu District Municipality is one of the ten district municipalities in the province of KwaZulu-Natal, KwaZulu-Natal being one of the nine provinces of the Republic of South Africa. KwaZulu-Natal is a subtropical region of lush and scenic valleys and gorges with gigantic rivers running into its year-round warm Indian Ocean. KwaZulu-Natal is the only province with a monarchy (Zulu Kingdom) specifically provided for in South Africa's Constitution.

The Ugu District Municipality is located in the southern parts of this province and its area of jurisdiction is commonly known as the South Coast of KwaZulu-Natal. It is 5 866 km² in extent and boasts a coastline of 112 kilometres which forms its eastern border. The region is bordered on the north by the eThekweni Municipality, home to the City of Durban, which is the province's 'commercial capital'. To the west is the Umgungundlovu District Municipality where we find the Capital City, Pietermaritzburg, and the Sisonke District Municipality and to the south it shares a border with the Eastern Cape province. The municipality consists of 81 municipal wards, which form six local municipalities, namely Hibiscus Coast, Eziqoleni, Umuziwabantu, Vulamehlo, Umzumbe and Umdon. The area also boasts of 42 traditional authorities which all form part of the Zulu Kingdom and its monarchy.

Ugu offers endless sandy beaches, green gorges and valleys, acres of banana and sugar plantations, a good spread of conservation areas and wildlife, industry, shopping malls, festivals, arts and crafts. The area offers the traveller and investor opportunities and experience in abundance.

THE AREA AT A GLANCE: ECONOMIC PROFILE

OVERVIEW

The region is a significant role-player in the following economic sectors: tourism, financial and business services, wholesale, and retail. With a good quality national road (N2) going through the region it is well positioned for easy transportation to and from the City of Durban's harbour and tradeport. Taking into account the locational advantages and strengths the agriculture, manufacturing and information communication and technology (ICT) sectors have been identified as key sectors for our economic growth, in addition to sectors mentioned above. The rigorous assessment of the district recently conducted during the preparation of the Local Economic Development Plan concluded that our comparative advantages are in tourism, manufacturing and agriculture.

TOURISM

Tourism is a key sector in the district and both the coast and hinterland are well suited for this industry, although only the coast is presently well-developed. The experience and variety one can enjoy on our beaches, in the ocean, nature reserves, historical, religious and cultural assets, sporting and adventure, topping this with a breathtaking topography and indigenous vegetation, attest to the title of the Paradise of the Zulu Kingdom which the district is known by with the tourism fraternity.

Beach tourism

Beach tourism is the biggest tourism draw card for the area. With year round warm sea and atmospheric temperatures, and 100 km of sandy beaches, the area continues to attract tourists, in particular from the northern provinces of the country. Activities relating to the beaches include:

- Swimming
- Scuba diving and snorkelling
- Surfing, wind surfing and jet skiing
- Fishing
- Dolphin viewing
- Viewing of the annual sardine migration up the Ugu coast

Some of the beaches rent out canoes or paddle boats to tourists, to complement the tourist activities offered along the coast. A major draw card for tourists to the beaches in the area is the "Blue Flag" status of some of the beaches. Blue Flag is an international eco-label award given to beaches and marinas that fulfil criteria relating to water quality, environmental education and information, environmental management, and safety and services. As such, tourists are guaranteed certain standards, which serves to attract both domestic and international tourists to those beaches.

Fish Conservation / Wildlife

Another important draw card for tourists to the Ugu District is the natural environment. The area has a number of game and nature reserves that are both privately owned and others that are owned by the Ezemvelo KZN Wildlife. Another conservation draw card for the coastal regions of the district is whale watching during the annual whale migration.

Scenery

This category of tourism attraction is where there is particular land formation that attracts tourists to the area. A good example of land form attracting tourists in Ugu is the Oribi Gorge. Another interesting land form is execution rock in Vulamehlo, listed under historical attractions.

While not as dramatic as Oribi, much of the inland areas are very scenic, with valleys, gorges and large rivers cutting across the District.

Fishing

Fishing is an important draw card for tourists, especially along the coast. A number of inland lakes and rivers offer fresh water fishing, and there is potential to further develop this as an activity / product on offer in the area. There are currently 5 registered businesses offering offering fresh water fishing activities.

The annual sardine run along the South Coast is a spectacle that draws numerous domestic tourists to the local shores. Shoals of sardines move up the east coast of South Africa towards Mozambique. The shoal is followed by thousands of sharks, dolphins, gannets and other game ish. Tourists, fishermen, divers and increasingly, international film crews, are attracted to this event. The sardine run is increasingly becoming an international draw card, bringing with it extensive economic growth to the area. Activities associated with the sardine run are whale and other marine life watching, spearfishing, the annual sardine festival, educational trips and scientific research.

Events

There are a number of events which attract visitors from beyond the district to the area during certain periods of the year. Events include the Loeries, the national advertising awards which are held annually on the beach at Margate, annual Margate Air Show and the annual sardine run. A annual ski-boat festival is also held in the District.

Historical / Religions / Cultural Assets

The Ugu district has many cultural, religious, and historical assets. These include man-made attractions (such as the Bazley Harbour Works built in the 1880s), historical sites (such as the Alfred County Annexation site in Ezingoleni, Fynn's Grave in Port Shepstone, Isandlunlu / Tragedy Hill), monuments (such as the Paddock Station) and many others

Sporting and Adventure Tourism

The South Coast offers a diverse range of activities ranging from extreme sport to leisure activities. The large waves are ideal for surfing and the countless bays boast areas ideal for sea kayaking, kite surfing and scuba diving. Fishing is a popular sport along the coast.

Adrenaline junkies can head inland to Oribi gorge where they can partake in challenging hikes, white water rafting, abseiling, mountain biking or if they are really daring, the highest gorge swing in the world.

AGRICULTURE

The Ugu District climate is excellent for agriculture. Tea, cut flowers, nuts, sugar and bananas are some of the agricultural products from the area. A number of agri-businesses are successfully exporting to some of the most exclusive markets in areas such as the United Kingdom.

Forestry and timber

Due to South Africa's climatic conditions, trees grow to eight times faster than they do in the northern hemisphere. Expansion of the forestry and timber industry in the Ugu District means adding value by manufacturing timber products such as doors, windows and furniture and the like. There are a number of businesses successfully exporting timber products of high quality (to ISO 9000 standards) and taking advantage of the exchange rates. The Ugu District produces some 195 000 tons of pine a year in addition to the 1755 million tons of gum and wattle used by a major pulp mill. There are about 200 sawmills operating and producing approximately 6 000 tons of board a year.

Forestry is an important economic activity and forms the basis of the furniture and pulp industries. While there are timber plantations and woodlots in all of the municipalities, large commercial plantations are located mainly in the high rainfall areas near Harding (Umuziwabantu Municipality) and in the central and south western parts of Vulamehlo. Timber is grown for hardwoods (for poles, pulp and bark – wattle and gum), and softwood (for logs - pine). Small and medium scale growers focus on hardwood for pulp production.

Hans Merensky's subsidiary company, Singisi Forest Products leases large tracts of land in Southern KwaZulu-Natal from the Department of Water Affairs and Forestry (DWAFF) and the South African Forestry Company (SAFCOL). The tender was awarded approximately six years ago and the lease period is in excess of 15 years. Singisi Forest Products (SFP) established community trusts that represent communities neighbouring these plantations and a percentage (10%) of the rentals paid to SAFCOL are paid into these trusts. SFP is currently in the process of closing its Singisi mill and opening a new, high-tech mill at Kokstad.

The various growers that are involved in Ugu can be summarised as: private farmers (Harding, Izingolweni), small scale rural farm (Umzumbi, Hlokozi, Izingolweni, KwaJali), Singisi Forest Products (Weza), Mondi (Harding), Sappi Forests (Harding), Masonite (Harding), NCT Forestry Co-op (Harding) and DWAFF (Hlokozi). Sappi and Mondi have promoted small-scale growers with access to communal traditional land but the long time period between planting and harvesting means that the benefits are not readily evident.

Much of the pulpwood is destined for Sappi Saiccor at Umkomaas and Mondi at Merebank (both in Durban). Bark is used for the production of tannin at Dalton and Kranskop. Expansion of the Sappi Saiccor mill at Umkomaas has started recently, which will increase the capacity of the mill substantially and reduce the negative impact on the environment. Harding Treated Timbers is a company

based at Harding that owns plantations (pine and eucalyptus), pole treatment plants and a sawmill at Weza.

Bananas

The Banana Growers Association of South Africa has a large number of members in Ugu District Municipality. A total of 35 producers, some with more than one farm, are currently listed on their database. The KwaZulu-Natal Banana Cooperative comprises growers in the area from Ifafa River down to Port Edward. The cooperative is mainly responsible for coordinating growers, scheduling transport, etc. The bananas produced on a commercial scale on the KZN South Coast are currently marketed through fresh produce markets located in Durban, Pietermaritzburg, East London and Port Elizabeth.

Macadamias

There are currently about 300 producers in the southern parts of KwaZulu-Natal. Other sources indicate that there are already 200 000 in production (or almost in production) in southern KwaZulu-Natal. While a national grower structure exists (SAMAC – South African Macadamia Growers Association), a local body has been formed, named the Southern KZN Macadamia Growers Association. This association functions as a study group for macadamia growers. Intermayo (a joint venture between Inter-trading and Mayo Estates) has a depot with bulk bins near Paddock. It sends nuts up to its racking plant at Nelspruit. A number of growers are currently involved in establishing a cracking plant near Margate.

Agrelek has been assisting commercial farmers with drying technology since storage is important for quality. As factories have insufficient capacity farmers must store nuts on the farm (normally using electricity powered drying systems). Contract drying services are provided by some commercial farmers, as are orchard management services. These services are available for small-scale producers as well as for beneficiaries of land reform.

Coffee

Three coffee farms were identified within Ugu District: Beaver Creek Coffee estate, Echo Valley and Thornton Coffee. Beaver Creek is located at Port Edward and consists of two farms. They grow, dry, roast and package their coffee. Echo Valley processes their coffee as well as that sourced from a number of preferred suppliers. They also offer farm tours. Two grower organisations exist in South Africa, viz. the Coffee Growers Secretariat of SA and the Southern African Coffee Producers Organisation.

UGU Fresh Produce Market

This multi-million Fresh Produce Market in Marburg, part of the Hibiscus Coast Municipality, is jointly funded by the Ugu District Municipality, Eskom, the

Development Bank of South Africa (DBSA) and the Department of Agriculture and Environmental Affairs. The recently completed Market is expected to facilitate the distribution of fresh produce within the south-east of KwaZulu-Natal more cost-effectively than current systems. The Market therefore operates in the best interest of the Ugu District communities and its traders.

Approximately 2 000 new farmers and a further 4 000 people from the rural areas are expected to form the supply base for the market. Products sold (to be sold) at the Market includes fresh produce, foodstuffs and goods including poultry, curios, herbs and spices, fish, canned products, dairy, juice, beverages, fertiliser, seed, compost, firewood.

The District is committed to supporting the proposed marketing, advertising and awareness campaign for the Market, as well as the development of a corporate identity for the Ugu Market in order to promote the market to the buying public, green grocers and the leading supermarket groups of the District. The market and its supply base will contribute significantly to the first part of the mission of Ugu District Municipality, namely to develop a sustainable agricultural industry in the district by 2009.

MANUFACTURING

The Ugu District is in close proximity to markets in Durban, as well as neighbouring districts in the Eastern Cape. The proximity to Durban harbour and tradeport links the district to the global market. Ugu has the only 'marble' delta within the KwaZulu-Natal province, mined for cement and calcium carbonate. There are also firms that manufacture clothing, textiles, metal ducts, food and beverages and wood products. The commitment of local municipalities within the District to job creation and economic growth is visible in proactive steps to encourage investment. The availability of housing, education, health and recreational facilities all contribute to an advantageous lifestyle. The manufacturing sector includes:

- Clothing and textiles
- Agro-processing
- Crafts
- Auto, auto components and transport
- Mining, metals and minerals beneficiation
- Chemical and biotech
- Information and communication technology

A number of the larger companies are located in the Ugu District in order to be close to the source of the raw materials needed in the manufacturing process. In the case of timber the substantial forestry plantations related downstream processing is viewed as a locational advantage for the industry. Furniture manufacturers are also able to utilise containerised transport by road to the port of Durban.

The mining and related processing of stone into various aggregates and crusher dust is essentially aimed at supplying the local construction industry. It therefore benefits from being located in the region and supplying this market. In the case of the Margate quarry of NPC it is evident that a number of brick and block making yards has established on the "doorstep" of the quarry. The construction material industry appears to be benefiting from its location in relation to the quarry.

The existing serviced industrial areas in the District are:

- Marburg in the central area
- Park Rynie, Umzinto and Sezela in the norther parts
- Harding in the south east

TRADE AND COMMERCE

There is a strong presence of the trade and commerce sector in Ugu. The trade and commerce sector, located primarily in the coastal strip, is well-developed and includes estate agents, lawyers, financial institutions, garages, car dealers, retail business and the like.

Major Commercial Centres in Ugu include:

- Scottburgh Shopping Mall – which has been recently extended and completed by December 2007 to 12 123 m²;
- South Coast Mall opened in November 2005 covering 28 000 m²;
- Hibiscus Mall covers 8 445 m² and has also been given a fresh look in 2007;
- Harbour View Mall – recently opened in Port Shepsone;
- Hibberdene Mall has also been given a fresh look in 2007;
- Oribi Plaza;
- Port Shepstone CBD;
- Margate CBD;
- Scottburgh CBD; and
- Harding CBD – there is a big infrastructure upgrade programme as part of Urban Renewal Project.

In these and other centres the major supermarket brand names such as Spar, Pick n' Pay, Shoprite-Checkers and other major retail chain stores are all present. The development of a value type centre, bringing more brands to the area, is under consideration.

Financial Services

South Africa's financial services sector, backed by a regulatory and legal framework, is superb, boasting dozens of domestic and foreign institutions providing a full range of services including commercial, retail and merchant banking, mortgage lending, insurance and investment.

South Africa's banking sector compares favourably with those of industrialised countries. The four main banking institutions namely Standard Bank, Nedbank, FNB and ABSA are well represented in the Ugu district municipality and electronic banking facilities are extensive, with a nationwide network of automatic teller machines (ATMs) and internet banking facilities available.

THE AREA AT A GLANCE: PUBLIC FACILITIES AND SERVICES PROFILE

Schools

There are more than 600 established primary and secondary schools in the District, including both private and public schools. The schools within the region have a sound reputation of academic excellence and achievement. The public tertiary institution known as Esayidi Further Education and Training College provides skills that are required to grow the economy. Tailor-made training for different companies and government institutions are available at this institution.

Health Facilities

Six fully operational hospitals exist in the Ugu District. This includes four government hospitals and two private hospitals. One of these private institutions is owned and managed by biggest private health care provider in South Africa, Netcare. Public health institutions in the region have in the past two years received KwaZulu-Natal Premier Awards for Service Excellence. In addition there are numerous clinics and mobile clinics in the District to service the community.

Sports Facilities

The Ugu District Municipality area has a large number of sport and recreational facilities which provide facilities for diverse sporting codes. The key facilities listed included the nine golf courses, tennis courts, volleyball courts, netball courts, football fields, rugby and cricket field.

Most of the sport fields or facilities are well managed and maintained by municipalities, schools and sport clubs. These facilities are essential to contributing to a healthy lifestyle and healthy community.

Libraries

There are several libraries along the coastal areas which provide books to the residents of the District. In order to increase literacy levels and promote a reading and learning society, these libraries offer study facilities for the school going youth and older people who are furthering their studies. There are also museums linked to libraries and art galleries which are used to promote and showcase local talent in the fine arts.

Transport Services

The Ugu District Municipality has a range of highways and byways to choose from, depending on the preferred mode of transport.

The railway line from Durban to Port Shepstone offers an alternative for the movement of heavy goods and passengers. The standard gauge line is supplemented by a narrow gauge line from Port Shepstone to Harding to facilitate the transportation of agricultural products and timber. The Margate airport provides an air link with the rest of the country. The airport has an all weather runway suitable for aircraft up to the size of a Boeing 727, as well as international standard air traffic control. Commercial trucking, freight and courier services, long distance haulage and related businesses are all established in the District.

A reliable public transport system services the region. Modes of transport in this sector include mini-bus taxis, metered taxis and buses. The area is also well served with ranks and pick-up / drop-off point along all major bus and taxi routes.

Communication Services

The Ugu District Municipality possesses a globally competitive communication infrastructure system. All components of effective communication and information service provision, such as postal services, electronic messaging, internet and data transfer including cellular reception and landline telephone services are well established and easily available throughout the district. The District boasts a pool of courier services, serving the business community and the public with quick and efficient overnight deliveries. Local newspapers, community newspapers and most national and weekly news papers are available at local shops.

Water and Sanitation

The Ugu District Municipality is the water and sanitation authority in the district. It is responsible for the provision of water and sanitation infrastructure in the whole district. The District is continuously investing in this infrastructure in order to support investment. The District Municipality always prioritise infrastructure related to investment that are within the key economic sectors and form part of the District Economic Development Strategy.

Electricity or Energy

Electricity is available throughout the district through a well-established Eskom national grid. There is substantial upgrading and development of electricity infrastructure in the District. This shows that the economy is growing and that demand for electricity is high. The District encourages and promote the use of

alternative energy.

Roads

The District boasts a good quality road network. The national route, the N2, comprising a toll route and non-tolled alternatives, serves as a link with the Wild Coast and the Eastern Cape and also further to Johannesburg and the port of Richards Bay. There is a continuous upgrading and building of new roads in the District by the Provincial Department of Transport, Local Municipalities and SANRAL.

THE AREA AT A GLANCE: INVESTOR CONFIDENCE

The Ugu District Municipality has in the past two years attracted foreign direct investment and domestic direct investment. These investments illustrate the level of confidence in the local economy across all sectors. The investment range in size from as little as R1 million to R800 million.

Below are the examples of the key investment projects within the District.

NPC- SIMUNA Expansion

This R 800 million investment by Natal Portland Cement (NPC), a unit of Cimpor Cimentos de Portugal, is being undertaken at its Simuma plant in the Oribi Gorge region. An 80 ton per hour cement milling circuit as well as 1500 ton per day clinker kiln is being added to the established clinker producing operation.

South Coast Mall

Substantial retail investment is being made in the District. Recently the first phase of the new 28 000m² South Coast Mall in Shelly Beach was opened. The multi million rand investment in the mall has encouraged other developers to invest in the area and currently there is an office park being developed in the vicinity. The mall itself will be expanded only two years after opening.

Hotel Development

The 5 star Edwardian Hotel in the District has two Conference rooms and also caters for weddings, corporate functions, and private baroque events. This Hotel is strategically located on the southern tip of the District and provides additional accommodation facilities to the patrons of Wild Coast Casino. The Edwardian Hotel and Estate investment is estimated to R180 million.

Property Boom

Since the Ugu District Municipality boasts an ideal climate, wonderful beaches, an unpolluted environment, a low crime rate and excellent infrastructure, there

has been an increase in property development in the area. In the past two years the Hibiscus Coast Municipality approved Building Plans to the value of R2 billion. Approximately 45 estate agents outlets are operating in the District and illustrate the status of the District as a good property investment destination.

Expansion of Hibiscus Private Hospital

The Hibiscus Private Hospital is currently being expanded to increase its size with fifty beds. Furthermore, there have been other investments in developing new suites for medical practitioners and installing new technology in the hospital.

THE AREA AT A GLANCE: INVESTMENT OPPORTUNITIES

Ugu Sports and Leisure Centre

It is estimated that the Ugu Sports and Leisure Centre will cost R367 million to develop. The project forms part of the District tourism strategy with the intention of positioning and promoting the District as a sport tourism destination of choice.

It is envisaged that once the centre is completed it will boast state-of-the-art sporting facilities to be used for both sports and other events. These facilities include a 10 000 seat soccer stadium, swimming pools, tennis courts, volleyball courts and indoor sport facilities. The facilities also provide an opportunity for the accommodation development within the vicinity of the centre. The accommodation facility would ideally include a hotel for professional and semi-professional clubs and also camping-type accommodation to accommodate school sport clubs and tournaments. Other opportunities will involve the development of medical sport centre, sports shop and retail outlets. The municipality owns the land where the centre is to be developed as well as surrounding properties.

Margate Airport Upgrade

The proposed upgrade of Margate Airport will make it easier for tourists to access the District once they are in the province. It will ensure that tourists will remain in the province for longer periods, due to the expanded range of attractions and activities they can access. In addition, the area around Margate airport presents substantial potential for future industrial development. The expansion of this industrial area will be dependent on the extent to which industry is able to link up to the advantages offered by the Dube Tradeport.

Port Shepstone Beach Front Re-Development

The Hibiscus Coast Development Agency (HCDA) intends to re-develop the Port Shepstone beachfront into a world-class tourism resort. This R2 billion initiative will include an inner harbour, canal, pier and coastal boardwalk. The development

is aimed at being a family destination. The South Coast already attracts some 2.2 million visitors annually and the market for the development already exists. The new developments will provide a greater range of leisure options and serve as a catalyst for expanding tourism.

Horse- Shoe Farm Agri-tourism

Horse-shoe Farm is an approximately 1000ha site located on the Mzimkulwana River. The proposed development site is on the southern-eastern bank of the river. The site is accessible by road from Port Shepstone and currently used for agriculture. An agri-tourism type development is proposed for the site, with the site divided between community farming initiatives (supplying the Ugu Fresh Produce Market) and tourism activities concentrated around the dam.

R1.5 million has been invested in the Agricultural activities in 2005. A Record of Decision approving the tourism side of the development was granted by the relevant authority in 2006. Detailed plans for a conference centre, amphitheatre, aqua-sports and game viewing facility have been developed.

Agri-processing facility

The Ugu Fresh Produce Market has a large area of land available for the agro processing facilities. These facilities could range from food processing to dry goods packaging facilities. The site also offers an opportunity for investor who would like to invest in agriculture facilities related to the fresh produce value chain.

Timber Beneficiation

There is an abundance of timber in the district owned by big forestry companies, communities and commercial farmers. Most of the timber is being exported out of the District for beneficiation. There is potential for the establishment of new timber plantations in the District which could contribute to the development of related clusters.

Biofuels

Recent developments in the field of biofuels field in South Africa have shown that government is keen to explore opportunities in this sector. Ugu has an abundance of cane and timber and therefore is well placed for further development of the industry.

Business Processing Outsourcing

The District, its location, its climate and infrastructure makes it a preferred destination for investment in the Business Processing Outsourcing. There is a commitment from government, local municipalities and our tertiary institutions to

support training of our talented youth to seize available opportunities. The District is eager to facilitate any investment in this area and will assist with infrastructure provision and land identification in close cooperation with the private and public sector.

Office Park Development

The good climate, proximity to the province economic hub (Durban), willingness by the municipality to offer land for the property development diversification, good road networks and modern telecommunication infrastructure make our district a perfect office park investment destination for the provincial and national head offices of companies. Currently major opportunities exist in our two coastal municipalities of Umdoni and Hibiscus Coast. As indicated the South Coast and Shelly Centre malls are already the focus of office park development.

Manufacturing

The district has three major manufacturing hubs situated in Umdoni, Hibiscus Coast and Umuziwabantu (Harding) Municipalities. These areas boast furniture manufacturing, textile and clothing manufactures as dominant sub-sectors. These sectors especially Umdoni (Park Rynie, Umzinto and Sezela) are a mere twenty minutes away from the South Durban Basin Industrial Area. The proximity to the South Durban Basin, availability of vacant industrial building and undeveloped land provide numerous opportunities for companies in the vehicle component manufacturing field and other value chains.

Hibberdene Harbour

The Ugu District Municipality and Hibiscus Coast Municipality jointly own prime land at Hibberdene. This includes 17 hectares of land adjacent to the blue flag beach of Hibberdene. Recently, these two municipalities have issued request for proposals from investors to develop a sustainable economic project which could include a small craft harbour, golf estate, eco-estate, medium to upper class accommodation facilities and other tourist products. This project value is estimated at R2, 1 billion.