

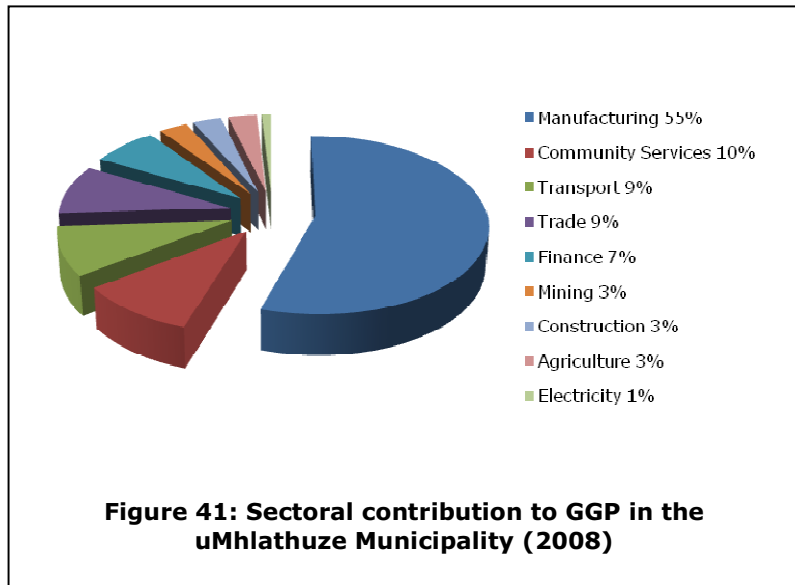
### 3.4.6 Economic Characteristics

The landscape and natural potential of the EMF area have created opportunities for the local economic sectors in the area (**Figure 41**). The strategic location of the port provides the focal point for local economic development whilst also serving as a growth point in the provincial and national economy. Port development has led to rapid growth in the manufacturing and commercial sectors.

The demarcation of the Richards Bay/Empangeni Spatial Development Initiative in the late 1990's has brought investment into the area. The designation of the nationally driven Industrial Development Zone in 2002 further drives industrial development and infrastructure investment with the expectation to boost the local economy.

The most important economic attributes that should be protected for their potential role in provincial sustainability include:

- Agriculture
- Industry
- Tourism, and
- The Services Sector.



#### Transport Sector:

Since construction of the harbour in 1976 it has expanded rapidly with the establishment of one new berth every second year on average. Today there are 22 cargo berths and the Port of Richards Bay is one of the worlds' leading bulk ports. The total port area is approximately 3780 hectares in extent of which 70% of the lettable land has been leased and developed.

There are six cargo-handling terminals in the port:

- The Dry Bulk Terminal for the imports and exports of a variety of ores, minerals and woodchips.
- The Multi Purpose Terminal that handles a variety of breakbulk cargoes as well as heavy lifts and abnormal loads.
- The Richards Bay Coal Terminal which is the largest single export coal terminal in the world with the capacity to export 84 million tonnes per annum.
- A bulk liquid terminal that handles a wide range of bulk liquids
- The Bunker Terminal that imports bunker fuel from Durban and Cape Town.
- Facilities that include a phosphoric acid export loading facility and a liquid pitch import facility.

The port and industrial area is supported by an extensive rail network which is currently being upgraded to meet current growth demands.

#### Port Land & Water Statistics

|                         |          |
|-------------------------|----------|
| Total land surface:     | 2174 ha  |
| Total land leased:      | 669.6 ha |
| Total water surface:    | 1443 ha  |
| Total navigable water:  | 695 ha   |
| Entrance channel width: | 300m     |

**Manufacturing Sector:**

Industrial development in Richards Bay was established with an anchor project in 1971, the Alusaf Aluminium Smelter, known as Bayside Aluminium. Since then a number of large industries have been successfully established in the study area. Most of these are intimately connected to the port (**Table 10**).

**Table 10: Large industries in the area and their relationship with the port.**

| INDUSTRY   | PORT-INDUSTRY RELATIONSHIP  |
|--|---|
| Billiton (formerly Alusaf) Bayside Aluminium Smelter   | Import bauxite to produce aluminium ingots for the domestic and export markets. The bauxite is transported on a dedicated rail link.  |
| Hillside Aluminium Smelter (build in the 1990's)   | Import bauxite to produce aluminium ingots for the domestic and export markets. Bauxite is transported by conveyer belt.  |
| FOSKOR, previously known as Indian Ocean Fertilizers (build in the 1970's)   | Makes use of the privately-operated Richards Bay Bunker Terminal and Bulk Storage for liquid chemicals, and the Transnet operated Dry Bulk and Multi Purpose Terminals to ship rock phosphates and fertilizers. Produces chemical fertilizers   |
| Richards Bay Minerals (RBM).   | Mines sand dunes around Richards Bay to produce a range of metals including rutile, zircon, monazite, titanium and magnetite. These minerals are used in the local market or are exported through the Richards Bay Dry Bulk and Multi Purpose terminals.  |
| Mondi Kraft (Paper Mill)   | Produces paper and pulp. Much of the pulp is exported with pulp produced elsewhere in the province through the Durban harbour. Paper products are exported through the Multi Purpose Terminals  |
| The Central Timber Co-operative chipping mill (established in 1981) was joined by the SilvaCell plant (woodchipping plant) | Produces woodchips for export to the far east through the Dry Bulk Terminal.  |
| Bell Equipment relocated to Richards Bay from Empangeni in 1984 to gain industrial incentives on offer at the time.        | Produces heavy articulated equipment for sugar cane, mining, forestry and construction industries.  |
| Tata Steel   | A high carbon ferrochrome production facility at Alton North. Construction of Phase 1 started in late 2006 and will produce 135 000 tonnes of high carbon ferrochrome per annum; full production of 270 000 tonnes per annum is planned for Phase 2. Makes use of the Dry Bulk and Multi Purpose Terminals. |
| LaFarge  | Produces cement for local use and sporadically make use of the break bulk terminal.   |

Considering that KwaZulu-Natal has a proportionately larger manufacturing sector than the national economy (annual average contribution of nearly 22,0% through the decade), it has recognised the strategic importance of the uMhlathuze Municipality as an anchor industrial potential classification in support of provincial economic growth.

Despite its contribution to the local economy, the capital intensive industrial landscape provides few employment opportunities. Accordingly local policy promotes the following:

*The sector has few forward and backward linkages with the rest of the district's economy. It is also interesting to note that the dominant economic sector is not the most labour intensive. This sector is vital to contribute to economic development and generation of wealth. However, other labour intensive sectors should also be boosted to redress poverty and provide basic economic needs of the larger community and to have a balance in the economic activity of the area. It is important that the area produces more refined (value-added) products that will place more value on exports and create more job opportunities.*

### **Agriculture:**

16.82% of the study area is currently used for agricultural purposes. The majority of this land is on the floodplain and is used for commercial sugar-cane production. No further expansion is expected. Subsistence farming on tribal land comprises food security crops and dryland cropping. Small areas of commercial forestry plantations occur in the area.

### **Tourism:**

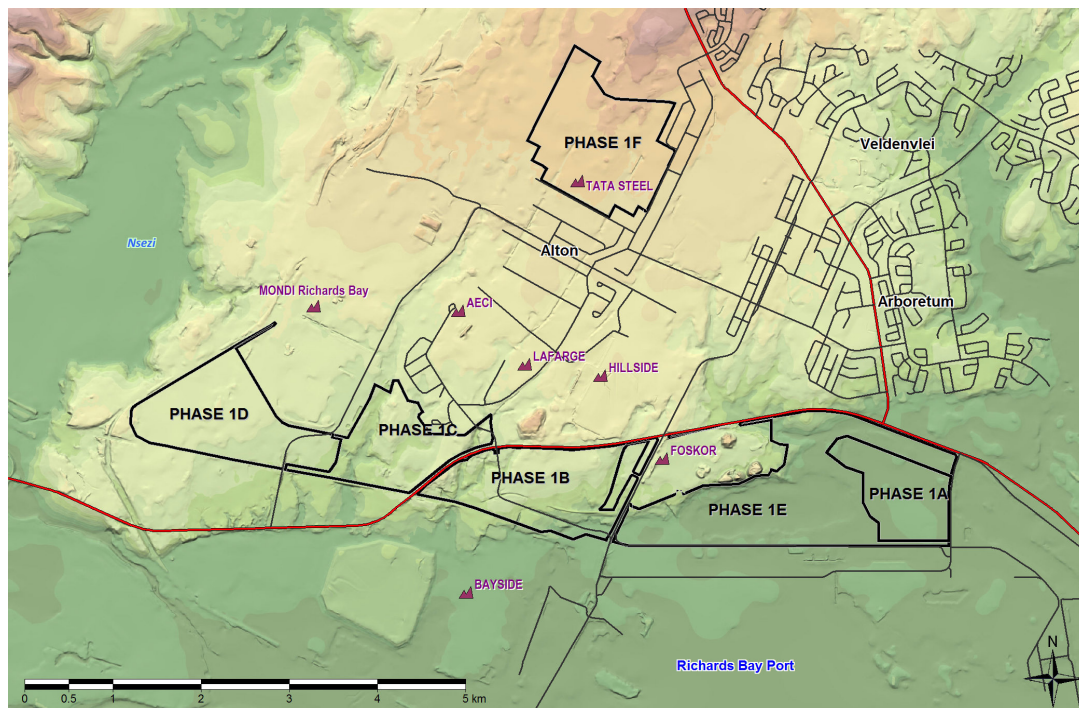
The tourism sector is regarded as undeveloped and the area is reported to have a “drive-through” and poor image due to the very evident high levels of air pollution and ‘un-sightliness’ of the large industries. The tourism market is reportedly dominated by business-related visitors (62%). The sub-tropical climate conditions coupled to the unique landscape features such as the warm ocean, beaches, nature reserves, and general scenic beauty offer vast opportunity for tourism.

### **Industrial Development Zone:**

The Richards Bay Industrial Development Zone was designated in terms of the Manufacturing Development Act, in April 2002, consisting of precincts marked IDZ 1A, 1B, 1C and 1D on **Figure 42** below. The Alton North Industrial Area (1F) was incorporated into the IDZ as Phase 2 in 2006. The National Department of Trade and Industry (DTI), who is the custodian of the IDZ Programme defines an IDZ as “a purpose-built industrial estate linked to an international sea or air port that leverages fixed direct investments in value added and export-oriented manufacturing industries”. The DTI further specifies the aim and objectives of the IDZ Programme as follows:

*IDZs are intended to promote the competitiveness of the manufacturing sector and to encourage beneficiation of locally available resources. The support could either be a turn-about strategy to attract investment or be a national programme for economic development to increase exports and competitiveness of South African products. Key objectives of the programme are:*

- Attract foreign direct investment (FDI)
- Attract advanced foreign production and technology methods in order to gain experience in global manufacturing and production networks
- Develop linkages between domestic and zone-based industries
- Provide world-class industrial infrastructure



**Figure 42: Richards Bay Main Industries in relation to the IDZ Area**

Only one company, Tata Steele, operates in the IDZ. Local expectations are that neighbouring industries could become part of the IDZ as it may expand in the future.

The development of IDZs utilizes the concept of **clustering industries** into a specific area to promote forward and backwards linkages as this promotes local innovation, productivity and enhanced competitiveness of enterprises, as well as international competitiveness. Although environmental constraints and/or limits may influence the type and number of industries in a given area, clustering offers opportunities for improving environmental performance. For example, Environmental Clustering Programmes enhance eco-efficiency to improve the state of the environment and create new jobs.

### **ISSUES AND PRIORITIES:**

- Recognising the need to support high growth rates, maintain its competitive advantage as a specialised bulk handling port, address high unemployment levels and promote effective environmental management, the City has restructured its LED Strategy into key economic focus areas that respectively promote:
  - Aggressive investment destination marketing and facilitation;
  - Manufacturing clustering;
  - Soft infrastructure for competitive advantage;
  - Proposed call centre;
  - Jobs from tourism;
  - Jobs from agriculture; and
  - Local stake in commerce.
- Planned development within the port is going ahead in accordance with national development objectives and is expected to increase the port handling facilities. Further expansion of the port is expected to support growth projections and economic development.
- The City's Spatial Development Goals and Strategies in respect of Economic Development accordingly list the following priorities:
  - Accommodate future Port expansion;
  - Permit and encourage diverse land uses, to develop the economy, at appropriate locations;
  - Align with District and Governmental organisations;
  - Develop opportunities for small businesses at accessible locations;
  - Boost those economic sectors which have growth and employment creation potential;
  - Promoting tourism without damaging the environment or ecology; and
  - Accommodate public and private land development.
- The City's LED Strategy identifies a number of tools and strategies to overcome local challenges and create the desired local economic situation. In respect of attracting foreign direct investment the Richards IDZ is positioning itself as an export-manufacturing platform into Africa and abroad, making use of a number of nationally driven investment incentives. Benefits for new industries locating in the customs secure area of the IDZ include:
  - Expedited customs procedures;
  - Duty-free imports of raw materials incorporated into export products;
  - VAT exemption; and
  - Benefits of first-world infrastructural links.

The local growth trends create an understanding of the effect of national and provincial *driving forces* that are relevant to environmental change in the study area. The strategic location of the port is the main local driving force for economic development. There are also other economic drivers that should be considered in the future economic growth path:

- Low electricity tariffs and the abundance of high quality coal with extensive export markets may change over time and cause a shift in the economic base of the area. The manufacturing sector is the most energy intensive sector in the uMhlathuze Municipality and the City consumes 8% of the total power generated in South Africa. Major industrial users of electricity such as aluminum and ilmenite smelters are reliant on low cost electricity for competitiveness.

The cost advantage of the current situation is already under threat because of network capacity constraints. Trends towards energy efficiency initiatives in larger industries are noted.

- South Africa's cheap energy sustains its energy-intensive economy. Should the global community increase its efforts and develop mechanisms to slow down global warming it would generate rising costs with consequences for industrial development.
- Despite the significant development that has taken place, not all have benefited, and the high unemployment rate is forcing the municipality to reconsider its strategies. Future decision-making therefore has to consider the employment generating opportunities of future growth. The real potential to create employment and achieve pro-poor development in the City of uMhlatuze will probably not be in the construction of more large companies but rather in the extent to which smaller forms cluster around them through value-added downstream processing. The role of the private sector in this regard is critical.