



***Dr Nkosazana Dlamini Zuma
Municipality***

**LOCAL ECONOMIC DEVELOPMENT
STRATEGIC PLAN**



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Abbreviations

ASGISA	Accelerated and Shared Growth Initiative for South Africa
BLSA	Birdlife South Africa
BRICS	Brazil, China, India, South Africa
CARA	Conservation of Agricultural Resources Act
CTO	Community Tourism Organization
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of South Africa
DEDT	Department of Economic Development and Tourism
DTI	Department of Trade and Industry
EIA	Environmental impact assessment
FEDHASA	Federated Hospitality Association of Southern Africa
Gijima KZN	EU Supported LED Support programme for KwaZulu-Natal
GDP	Gross Domestic Product
GGP	Gross geographic product
IDC	Industrial Development Corporation
IDP	Integrated Development Plans
IDT	Independent Development Trust
IPAP	Industrial Policy Action Plan
IPAP2	Industrial Policy Action Plan 2
KZN	KwaZulu-Natal Province
LED	Local Economic Development
LM	Local municipality
NEMA	National Environmental Management Act
NFA	National Forest Act
NIPF	National Industrial Policy Framework
NTFP	Non-timber forest products
NTSS	National Tourism Sector Strategy (2011)
NVFFA	National Veld and Forest Fire Act
NWA	National Water Act
PCNGR	Paton Country Narrow Gauge Railway
PSEDS	Provincial Spatial Economic Development Strategy (PSEDS)
SFP	Singisi Forest Products
SFRA	Stream Flow Reduction Activity
SMFE	Small and medium forest enterprises
SMMEs	Small, Medium and Micro Enterprises
SOE	State Owned Enterprise
UNWTO	United Nations World Tourism Organization
VFR	Visiting Friends and Family

Introduction

This document proposes a local economic development strategic plan for the DR NKOSAZANA DLAMINI ZUMA Municipality. It provides strategic guidelines to the relevant stakeholders, with the intention of achieving the municipal development goals. This is attained through a situational analysis of the main economic sectors and the corresponding opportunities available within these sectors as well as the five main towns in the Municipality, namely; Underberg, Himeville, Creighton, Bulwer and Donnybrook.

The ultimate purpose of this strategic plan is to guide economic growth and maximise the competitive advantage of the DR NKOSAZANA DLAMINI ZUMA Municipality. This plan is also expected to stimulate further debate and discussion on productive Local Economic Development not just within the local municipality, but also within the District Municipality.

The Municipality will pro-actively endeavour to transform the ownership of the local economy to more closely reflect historically disadvantaged people by implementing ‘radical economic transformation’ as envisaged by the Constitution of the Republic of South Africa.

More precisely, and within the expectations of the terms of the reference, this strategic plan presents:

- ❖ An economic analysis of the main sectors in the DR NKOSAZANA DLAMINI ZUMA Municipality, which enables identification of appropriate market interventions
- ❖ A practical LED Strategic Framework aimed at guiding the promotion and support of sustainable economic development within DR NKOSAZANA DLAMINI ZUMA Local Municipality.
- ❖ A database of projects within the municipality including those being implemented, economic opportunities and future potential projects.

The rest of this strategic plan is organised in the following structure. First is the background information which outlines the geographical as well as the socio-economic context of the DR NKOSAZANA DLAMINI ZUMA municipality. Chapter one, two and three systematically presents the state of the dairy, tourism, and forestry sectors, in that order. The ultimate objective of these chapters is to point to the existing LED opportunities within these strategic sectors. Section four presents an assessment of commerce in the five main towns Underberg / Himeville, -Bulwer, Donnybrook and Creighton- as well as the informal sector.

In the interest of guiding implementation, a project matrix which lists sector based projects, accordingly prioritising them, is presented immediately after the conclusion section.

Background

The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is situated on the southern parts of KwaZulu-Natal, and is one of the local municipalities that fall under the Harry Gwala District Municipality, which borders on the Eastern Cape and Lesotho. The Municipality is the result of the amalgam of the previous Ingwe Local Municipality and the Kwa Sani Local Municipality.

There are 15 wards with 29 Councillors, 15 Ward Councillors and 14 PR Councillors.

It is approximately 3200km² in extent, which makes it the second largest municipality within the District bordered by UMzimkhulu and Ubuhlebezwe to the south, Richmond and UMsunduzi to the west, Impendle to the north.

The municipal Head Office is located in Creighton 112 km south-west of Howick and 176 km north-east of Kokstad. The town of Creighton fulfils the role of being the administrative centre for DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and acts as the commercial centre for its surroundings within the municipal area.

This however is a temporary arrangement until the new council identifies the administrative centre.

The rest of the municipal area consists of Tribal areas, which dominate the area, namely; Batlokoa, Isiminza, Nxamalala, Madzikane-Bhaca T.A, Isibonela Esihle T.A, Amakuze T.A, Sizanani T.A, UMacala-Gwala T.A, Zashuke T.A, Qadi T.A, Bidla T.A, Vukani T.A, Amangwane T.A, and Vezakuhle T.A. There are also a number of rural settlements within the above traditional areas where the majority of the population is resident. In addition to this the areas of Thunzi, Ngqiya, Ridge and Stepmore will be reincorporated from Impendle as a result of amalgamation.

The Municipality has over the past few years placed considerable emphasis on local economic development and has skills and resources to identify and implement its economic development strategy and projects.

The first LED policy initiatives are traceable to the first Integrated Development Plan (IDP) in 2002, on the basis of the Municipal Systems Act 32 of 2000. Subsequent LED strategy initiatives have identified the potential of the municipality to effectively address poverty. Other efforts which identify opportunities

and challenges within the local economy are sector plans, Integrated Development plans, Spatial Development Frameworks, and others. The contents of these are accounted for in the sector analysis.

In keeping with global and national LED agenda, DR NKOSAZANA DLAMINI ZUMA Municipality's LED strategic Plan seeks to empower local participants to effectively utilise business enterprise, labour, capital and other local resources to achieve local priorities (e.g., to promote quality jobs, reduce poverty).

This plan recognises that LED needs to be process-oriented and should incorporate:

Local values (poverty reduction, basic needs, local jobs, integrating social and environmental values);

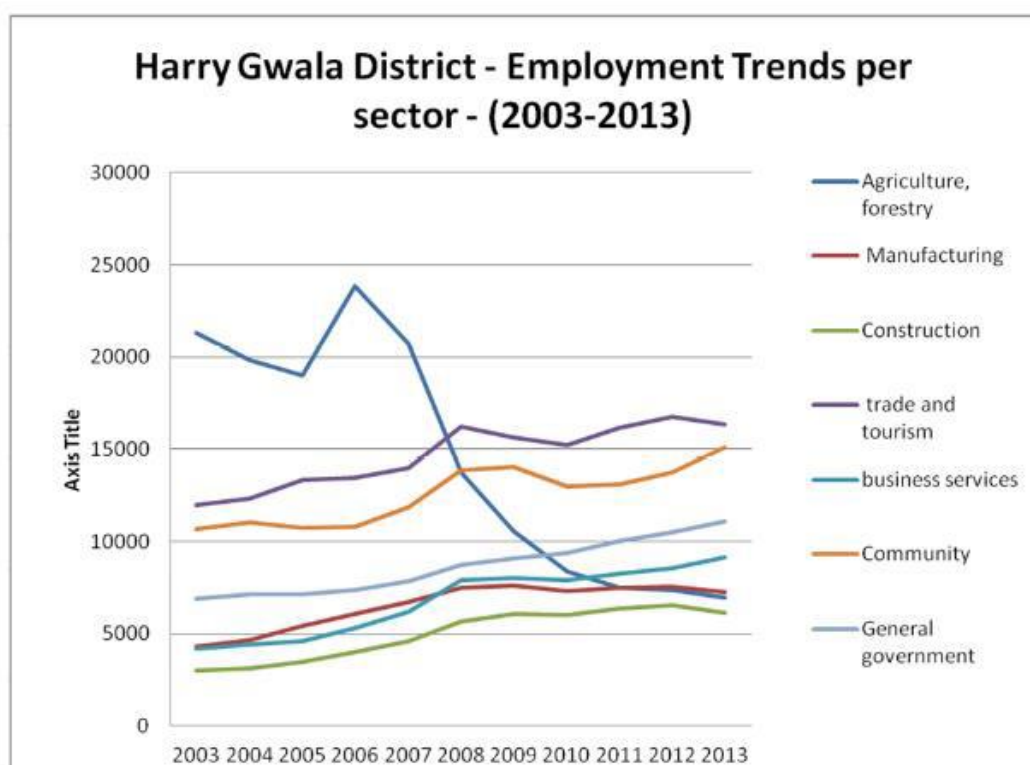
Economic drivers (value-added resource use, local skills training, local income retention, regional co-operation); and

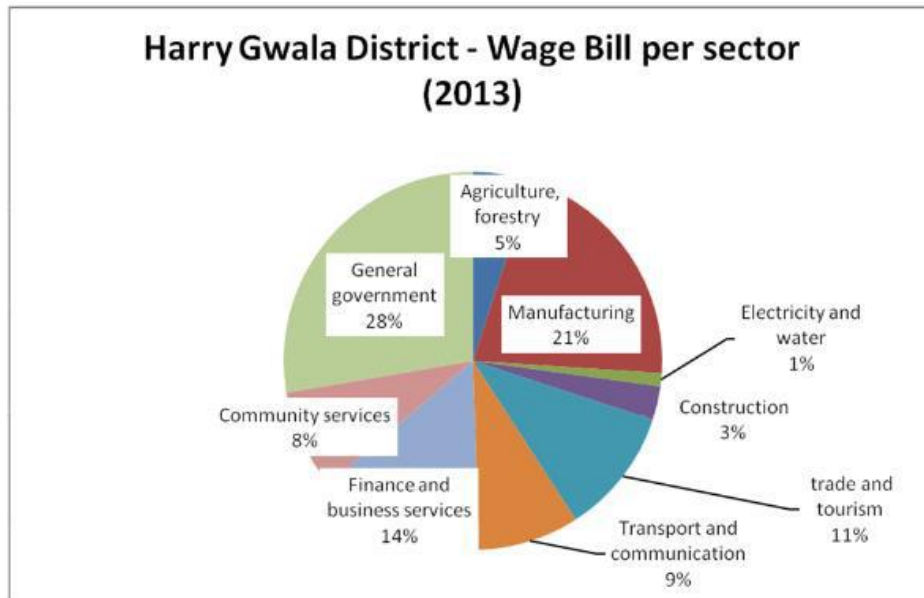
Development (the role of structural change, quality of development).

The main economic activity in the municipality is agriculture with commercial dairy farming and forestry forming the significant component. Agricultural employment however has shown the most dramatic decline over the past 10 years, with the labour force declining from 21 229 in 2003 to 6976 workers in 2013, with a very steep decline from 2006.

(Within the Harry Gwala District Municipality also reflective of the Ingwe LM.)

Employment Trends per Sector (2003 – 2013): Quantec 2014



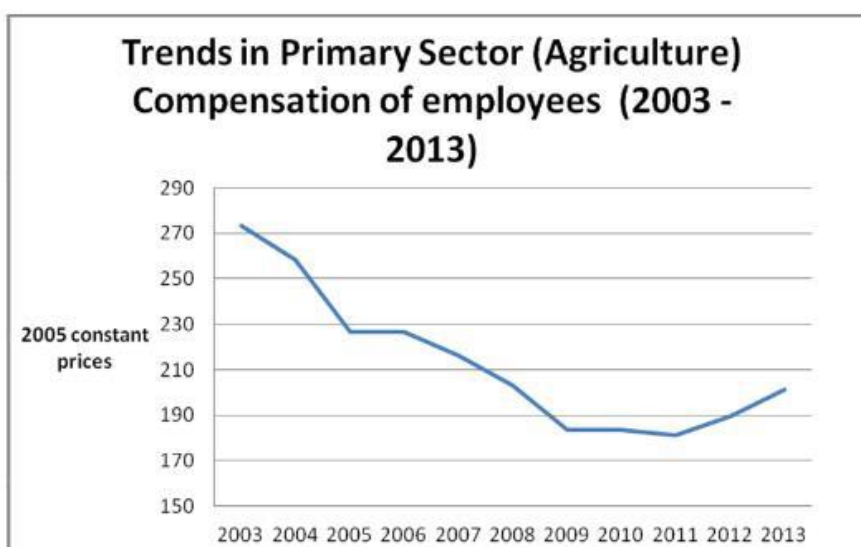


Employee Compensation per sector: 2003 and 2013: Quantec 2014

The district wage bill, clearly shows the dominance of government (28%) followed by Manufacturing (21%) and then Finance and Business Services (14%). Agriculture now only contributes 5% of the district's wage bill.

Trends over a decade indicate that Government and Manufacturing have seen the fastest growth in employee compensation with Agriculture and Trade and Tourism lagging.

This is further evidenced by the data on compensation of employees (agricultural wage bill) in the primary agriculture section between 2003 and 2013 which declined from R 270 million to R 200 million at 2005 basic prices.



Trends in Primary Sector Compensation of Employees 2003 – 2013 Quantec 2014

Number of people living in poverty

Approximately 33% of the population within the District is defined by Stats SA as living in poverty.

Of the 461 420 residents of Harry Gwala district in 2011, 154 114 were defined as living in poverty

According to Census 2011, Ingwe Local Municipality + Kwa Sani Municipality has a total population of (100 548 + 12 898 = 113446 people.)

With the above in perspective, the following section now turns to the dairy sector.



Chapter 1: The Dairy Sector

1.1. Introduction

Although 80% of South African land is used for agriculture and subsistence farming, only 12% is arable, and the rest is used for grazing. The main agricultural activities are crop production, mixed farming, cattle ranching and sheep farming, dairy farming, game ranching, aquaculture, beekeeping, and winemaking (GCIS, 2010).

The dairy industry mainly provides food (milk and meat), job opportunities (directly as well as indirectly) and supports many other enterprises, including:

- (a) Primary cropping enterprises, where the dairy part of a farming enterprise provides a constant cash flow whereas cropping enterprises have seasonal incomes
- (b) Agricultural mechanisation e.g. tractors, irrigation equipment and animal feeds.
- (c) Approximately 40% of all milk produced is converted to yoghurt, cheese and curdled milk. The processing provides a large number of job opportunities and increases the total income generated by milk production.

In South Africa, the collection of dairy produce from farms is a major transport undertaking as it is all done by road in specialised refrigerated tankers, capable of maintaining the required temperatures and meeting the stringent hygiene standards.

The vehicles are nearly all owned by the major companies, although there is a growing proportion of “independent “dairy groups since the deregulation of the industry in 1997. From a transportation perspective, the relocation by the dairy industry from inland to coastal areas over the past decade has resulted in rapid increases in the numbers of long-distance refrigerated bulk tankers that move the product by road from production areas to the main national market for milk products which is the greater Gauteng conurbation and processing industry.

Milk is transported primarily in stainless steel tankers designed to permit loading from farm tanks and discharge into bulk storage at the creameries or production plants. Due to the perishable nature of the product and the need for stringent hygiene, milk is collected daily or at least every second day and must be handled with extreme care to maintain the cold chain from point of production to the final product.

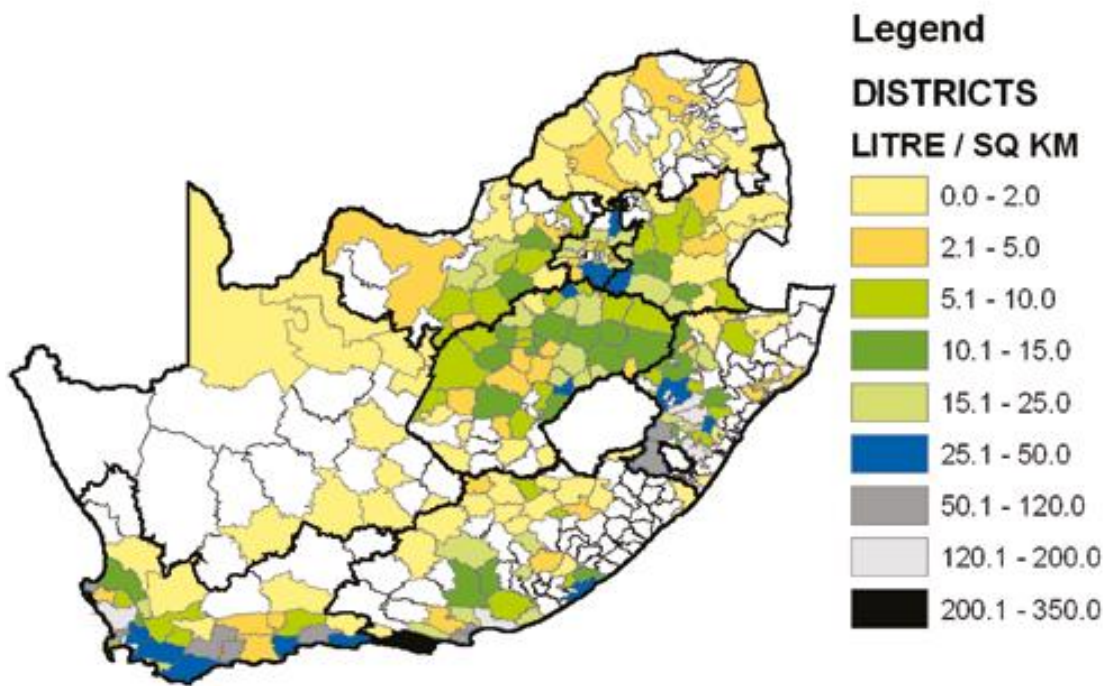
Specifications for milk tankers and the need for sophisticated transfer and pumping equipment make the private ownership of these vehicles uneconomical. The collection process therefore, is done almost entirely by large milk processing undertakings or specialist contractors.

Further, the strict hygiene and milk testing routine that is maintained by producers and processors, and monitored by the agricultural authorities, is an essential feature of the dairy industry. All milk is tested for butterfat content and protein as well as bacteria levels, presence of antibiotics and water, before being pasteurised.

1.2. National Profile of the Dairy Sector

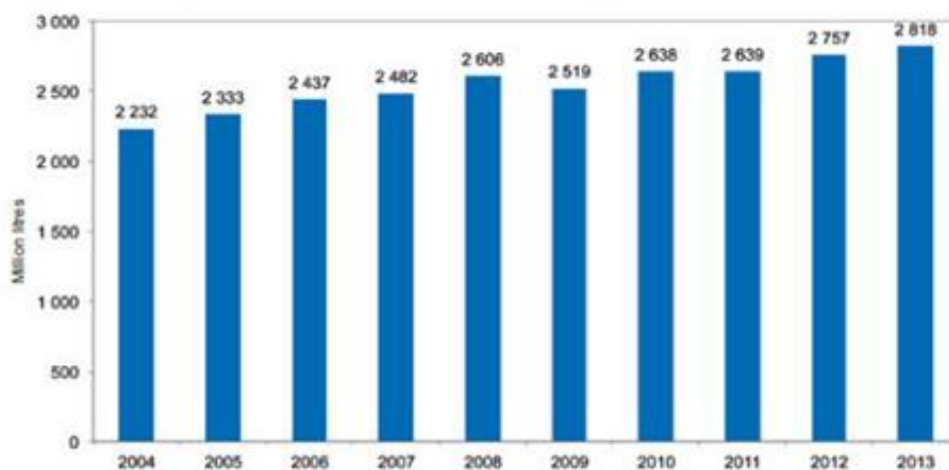
1.2.1. Sector Size and Scope

Total supply during 2015 of 2957-million



As can be seen from the map above the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is amongst the highest milk producing regions in South Africa as measured by litres / sq. km.

Figure 17: Annual raw milk purchases (million litres), 2004 – 2013.



Source: 2004 - 2005 MPO, SAMO, Milk Board
 2006 - 2013 Milk SA.

The contribution of milk production in South Africa makes approximately 0.5% to the world milk production. There are four major dairy breeds in South Africa namely, Holstein, Jersey, Guernsey and Ayrshire. The industry comprises of number of different economic activities and significant differences exist between farming methods and processing of dairy products. These activities involve the production and marketing of raw milk, pasteurized milk and cream, fermented milk, long-life milk and cream, yoghurt, cheese and its by-product whey, milk powder, sweetened and unsweetened concentrated milk, butter and butter oil (ghee).

The dairy sector is the fourth largest agricultural industry in South Africa, representing 6% of the gross value of agricultural production (WESGRO, 2004).

The gross value of milk produced during the 2014/2015 production season (March-February) was estimated at nearly R14.775 billion (Economic Review of the South African Agriculture 2014/15). Regarding the retail value, the total dairy industry is estimated at around R67 billion annually. More than 65% of dairy products in South Africa are distributed through hypermarkets, supermarkets and smaller local stores.

The number of milk producers has decreased from 3 899 in January 2007 to 1 834 in January 2015. The largest decrease was in the Northern Cape (74.4%), while the Free State had the lowest decrease in the number of producers (23.7%), which can be attributed to an intensive campaign of producer registration..

Most production takes place on a pasture-based system in the Western Cape, Eastern Cape and KwaZulu-Natal and has resulted in a significant increase in production along the eastern seaboard of South Africa, this trend towards higher production in the pasture-based areas continues.

In 2009 Western Cape contributed just over a quarter (28%) of the total milk produced in South Africa followed by Eastern Cape which took up 25% and KwaZulu-Natal with 20%; Free State contributed 14%, North-West & Mpumalanga 5%, Gauteng 3%, Northern Cape and Limpopo contributed less than a percent.

1.2.2. Employment in the sector

The dairy industry is important to the South African economy in terms of employment, with more than 4 000 milk producers directly employing about 60 000 farm workers and indirectly a further 40 000 people (WESGRO, 2004).

The minimum wage for farm workers in 2010 was R1 316.69 per month. And while Monthly salaries differ across sub-sectors, dairy sector primary production workers are among the highest paid, second only to Fisheries. This is illustrated below.

Concerning redistributive growth in the sector, in 2008 an Agri-Black Economic Empowerment [AgriBEE] Charter was gazetted, with the intention of increasing the involvement of black business in agriculture through ownership and control as executives and senior manager of new and existing agricultural businesses. The extent to which AgriBEE is transforming the sector is not known, as it is too early to tell, but a recent survey conducted by ABC and the IDC showed that among the ABC respondents, in 2007 46% of enterprises were busy constructing a BEE strategy, and 46% claimed to be implementing a BEE strategy.

A survey of the dairy industry in the Western and Eastern Cape in 2008 showed that only 6% of firms had a BEE strategy in place. It also seems from survey data that companies are focusing on the skills development and socioeconomic aspects of BEE rather than on ownership.

Farm intern/learnship programme.

In co-operation with the Ingwe Farmers Association and the SDA (Harry Gwala District Municipality) young learners (5) were placed on commercial dairy farms as part of an intern/learnship programme. At the end of the programme all 5 of the learners were employed full time by the respective farmers.



FARMGATE LONG LIFE MILK FACTORY

In partnership with farmers from

Creighton Dairies the Municipality facilitated a grant of R4.2million resulting in an investment of in excess of R20 million for the construction and establishment of a long-life milk factory resulting in the creation of 47 jobs.

The pro-poor condition of this grant included youth mentorships (10 employment / mentorship opportunities for graduates from Agricultural Colleges) have been placed.

The second pro-poor element of this grant was the pro-active mentoring and material assistance of one emerging farmer to become a commercial dairy farmer.



A good story is how as a direct result of this intervention D Ngcobo of Summerhill Farm Donnybrook has moved from unsuccessfully producing 200 litres of poor quality milk per day and attempting to hawk his milk on the roadside to now sending 1800 litres per day of excellent quality milk to the Creighton Dairies Processing facility.

In addition Farmgate have become partners/sponsors of the Harry Gwala Summer Cup Horse Race, they donate 1800 litres of long life milk for free distribution to the community at the event. This gesture is gratefully received by the people.

1.3. The Dairy Sector Profile in KwaZulu Natal

As already noted, there has been a clear movement of milk production from inland to the coastal areas (KwaZulu-Natal, Western Cape and Eastern Cape). There are a number of reasons for this concentration of dairy farms along the coastal areas. First, these areas are close to ports, which lowers the transportation costs of imported inputs relative to the more inland areas. Second, the coastal areas are more suitable for dairying, as mild temperatures and good rainfall result in high-quality natural and

cultivated pastures (Republic of South Africa, 2003:54). However, the major processing plants and markets are inland (Coetzee, 2002; Ndambi & Hemme, 2009).

Dairy Sector

The dairy sector remains the district's most competitive industry producing 11% of the milk consumed in South Africa and 35 percent of Clover Milk is from this area (Diagnostic Report 2012)

But the sector has shown significant concentration and restructuring, with the number of dairy farmers in KwaZulu-Natal having reduced by 29% in the last 7 years from 385 to 274. The overall national reduction has been even more dramatic, more than halving (53%) from 3899 in 2007 to 1824 in 2014.

Harry Gwala accounts for 330 million litres of raw milk per annum (approximately 904 000 litres per day.

There are fewer farms producing more milk from more cows. Most farms are largely grazing based, with irrigated ryegrass (predominantly annual, but some perennial) and dryland kikuyu, supplemented by maize silage and hay.

Most of the milk is produced in the Mooi River, Howick, Boston, Bulwer, Underberg, and Ixopo areas, all of which are in the Midlands region, making it the most important milk-producing area in the province. This concentration of dairy farms in the midlands is due to excellent conditions, with lower temperatures and higher rainfall, which are conducive to high growth of kikuyu grass in summer and ryegrass under irrigation in winter.

1.4. The Dairy Sector Profile in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

The Spatial Development Plan cites Harry Gwala as the second-smallest district economy in the province in terms of GDP, although it ranks fifth out of ten in terms of GDP per capita, with a year-on-year average growth of 4% over the past five years 2000 - 2005. The SDP further points out that Harry Gwala district economy is, like the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Local Municipality, overly reliant on Agriculture which accounts for 38% of GDP. While Agriculture has had good growth in GDP terms (40% between 2000 and 2005), it has simultaneously shed 22% of its jobs between 2000 and 2005.

The abundance of high quality soils, high altitude, abundant water, climatic extremes makes Harry Gwala suitable for dairy farming and as a result a significant portion of dairy produce consumed in KZN is produced within the district [IDP].

1.4.1. Key Characteristics of the Dairy Sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

	National	KZN	Harry Gwala	DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY
Number of Dairy Farmers	2686	323	48	38
Percentage contribution to the Country		12%	1.8%	1%
Percentage contribution to KZN			14.8%	8.4%
Percentage contribution to Harry Gwala				56%
Production Numbers per day			800,000	350,000 – 400,000

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Dairy figures in comparison to the Country, Province and the Region, Source: Local Stakeholder Consultation

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY has a high concentration of dairy farming. This is expected, given the three economic engines in the municipality which are; dairy, timber and tourism sectors. More than half of dairy farmers in Harry Gwala District are located within DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY. The Harry Gwala Dairy Farmers represent a sixth of the dairy farmers in KwaZulu-Natal. Harry Gwala produces 800,000 litres of milk per day and about half of this comes from DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY.

	DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY
Number of farmers	38
Number of Cows per farmer	40 - 800
Milk yields per cow	20 litres per cow

The Production per Cow, Source: Engagement with Stakeholders

	No. of cows	Litres produced per day
Biggest Farmer	1,200 cows	20,000 Litres
Smallest Farmer	40 cows	500 litres
Average Farmer	300 – 800 cows	4,000 – 10,000 litres

Farmer sizes, Source: Engagement with stakeholders

There is a total number of 38 dairy farmers within DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY (11 who supply Clover and 27 who supply Creighton Dairies) keeping an average of between 300 and 800 cows per farmer who each produce between 4,000 and 10,000 litres per day. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is characterised by medium to large dairy farmers, with the smallest dairy farmer (and the only black farmer) in the area owning 40 cows. The largest farmer has 1,200 cows. The smallest farmer in the area has 40 cows and produces about 500 litres of milk per day. This type of volume is deemed unsustainable by industry standards, if it is undertaken without any supplementary trade activities. Industry specialists in the area indicated that even a medium size farmer with an average of 600 cows still struggles with business under the current conditions.



1.4.2. Marketing and Processing

The Creighton Dairies caters for small to medium size farmers while Clover caters for bigger farmers who produce the region of 1,000 litres a day. Clover has a depot at Ixopo where all the milk collected is delivered to. Creighton Dairies is based in Creighton and also collects raw milk from the individual small producing local farmers, then distributes to the major milk processors in major cities. Creighton Dairies is contracted by major milk producers in KZN – Dairybelle and Parmalat. As can be seen from the Table below, these producers source a sizeable amount of their milk from Creighton Dairies.

	Dairybelle (Pinetown)	Parmalat (Kayalami)	Fairfield	Antilex	Far End
Creighton Dairies	60%	50%	10%	80%	80%

All of the milk produced at DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is sent outside the area for processing. Although milk is seasonal, out of an average of 160,000 litres of milk the area produces

per day, 36,000 (2.3%) litres of milk is sent to Creighton Dairies for processing into cheese. There is very little processing and value add that takes place within the area.

1.4.3. The Dairy Milk Value Chain in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

The dairy value chain can be defined as the full range of activities required to bring the milk product to final consumers passing through the different phases of production, processing and delivery. It can also be defined as a market-focused collaboration among different stakeholders who produce and market value-added products.

Value chain analysis is essential to an understanding of markets, their relationships, the participation of different actors, and the critical constraints that limit the growth of livestock production and consequently the competitiveness of smallholder farmers. These farmers currently receive only a small fraction of the ultimate value of their output, even if, in theory, risk and rewards should be shared down the chain.

Traditional marketing channels with ad hoc sales are being gradually replaced by coordinated links among farmers, processors, retailers and others. In this context, the question is not whether, but how to include the different actors in the value chains, applying a balanced approach that takes into account both competitiveness and equity issues. The result, combining the strengths of value chain analysis with the needs of small scale dairy farmers should be a market-based, commercially viable and sustainable solution that, in the long term, will equally benefit all the various actors of the chain.

Although small scale farmers are absent in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY's commercial based dairy farming, there is potential for them to bargain in the dairy value chain. And although they are likely to receive smaller absolute gains from the livestock value chain than others do, the relative benefits to them are greater. This further strengthens the case for livestock as a pro-poor policy instrument, where the marginal effect of improving livestock supply conditions will disproportionately benefit the majority of otherwise excluded farmers. For this reason, a key objective is to ensure that emerging farmers have better access to – and the skills and organization to take advantage of – transparent and competitive markets. Within this framework, expanding the capacity for livestock production and its marketing outlets will be a potent to poverty reduction in the municipality.

The current structure of the dairy industry is geared towards greater consolidation. For the Harry Gwala district economy, this poses significant challenges in terms of broadening participation in the sector, barriers to entry and opportunities for job creation and retention. Proponents of the current consolidation argue that this represents a necessary response to current market conditions over which both producers and processors have little influence. Others point to oligopolistic or monopolistic behaviour by both processor and retailers in the supply and value chain, whose market dominance as buyers has resulted in the exercise of market power in depressing prices. (Business Day October 2013).

At a Dairy sector workshop comprising key actors from the Dairy Sector in the district on the 24th November 2014, the district's competitive strengths were re-affirmed in terms of the following issues: bio-climatic conditions, proximity to markets, the existing cluster of skills, technology and experience. There was an acknowledgement that the Midlands dairy sector were better placed locationally, but that Harry Gwala District had more potential for expansion through the availability of additional land

- Climate, soils, water, altitude - Ideal conditions for dairy
- Dairy skills clustering -intergenerational knowledge and innovation
- Established farmers – skills, technology and experience
- Proximity to markets, although N3/Midlands are better placed
- Availability of labour
- Availability of additional land/potential for expansion
-

Figure 48: Harry Gwala District: Dairy Sector: Competitive Advantages (District Dairy Workshop 24th November 2014)

Key weaknesses relate to relative distance to market, reliance on external based suppliers and processors, Harry Gwala District's history of weak electricity supply relative to other districts, road quality and the shortage of skills

Issue	Comment
Distance from Market	Less favourably located such as KZN Midlands (N3)
Access to Services	Most services come from outside the area and are provided on a fragmented basis
	Most inputs are coming from Pietermaritzburg or further away e.g. Meadow Feeds,
Eskom Power Supply	While Eskom has national weaknesses, Harry Gwala's electricity supply problems exceed other districts
Land Redistribution and Restitution	Uncertainty, failed transfer of dairy farms, hobbling investment decisions. The issue had been discussed extensively at the District Land Summit on the 18th November 2014
Processing Processing largely takes place outside the district	FARMGATE & CREIGHTON CHEESE FACTORY
Road Quality	Road quality impacts negatively .
Skills Limited technical and other skills. Lack of Human Resource	

Figure 49: District Dairy Sector: Competitive Disadvantages: District Dairy Workshop, 24th November 2015

1.4.3.1. Brief Analysis of the Value Chain in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY's Dairy Sector

Farmers, processors, and government are the key players in the dairy industry in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY. In the existing market structure, farmers are organized at production level as groups, although based on specifications of animal capital. Milk processors ensure a stable supply of milk and milk products. They preserve milk in the form of pasteurized milk and processed milk products (yoghurt, ice cream, cheese, powdered milk, ghee) to satisfy the increasing demand.

The government facilitates and guides the industry through policy, with the intention of achieving /maintaining self-sufficiency in the production of milk. It promotes production and competition in milk collection and processing, and serves as a monitor for milk and dairy product markets.

The commercial posture of the dairy industry systematically excludes subsistence dairy farming and by default many potential players in the chain such as intermediaries and Non Government Organizations. The commercial 'fundamentalism' of the sector is contradictory in the sense that, increases the levels of competition especially disadvantaging emerging farmers, on the other hand, it operates on the thresholds of monopoly by few farmers. The involvement of NGOs in the dairy industry in other areas (for example in Uganda) contributes to expanding of the dairy sector from subsistence to commercial production, and to promoting competitiveness in the sector to ensure that farmers find a ready market and consumers have access to safe, good-quality and nutritious milk and milk products. This might suggest that re-working the current market structure so that subsistent farmers are progressively upgraded through NGO involvement.

NGO's are generally absent from the value chain, while member organizations possess low bargaining power even though they can potentially assist in providing credit access options for capital such as dairy inputs, including access to veterinary services (drugs, artificial insemination services) and animal feeds.

1.4.3.2. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Value Chain constraints

- (i) Power imbalances in participation -The dairy retail market is largely controlled by large scale farmers.
- (ii) Lack of a ready local market for fresh milk and lack of modern technology for processing milk into milk products (although this is under review, given the construction of a cheese factory).
- (iii) Information asymmetry between producers and marketers - This leads to overpriced inputs and under priced outputs, and potentially discourages increased production.
- (iv) Lack of or inadequate capital- Because of capital constraints, very few dairy-based agribusinesses have access to modern farm inputs.

1.4.2. SWOT Analysis

1.4.5.1. Strengths

The competitive advantage of milk producers in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is that pasture based production is possible for most part of the year. This is due to the climate (relatively

mild winters, good summer rainfall) as well as access to irrigation water. Pasture based production is cheaper and more efficient than production that is reliant on complete feeding as this requires processed maize, soya, etc. , which are costly.

1.4.5.2. Weaknesses

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY dairy market is a constraining factor, especially considering that milk produce is sold to outside markets which require transport and in some cases storage. The transport infrastructure is not only cumbersome, but also poorly developed. Three main factors are considered in this conclusion.

First, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY falls outside the primary nodes and corridors of the Harry Gwala District Municipality. It is therefore not considered a primary area of investment by government. Second, the local municipality is underdeveloped and spatially disconnected from major economic centres to attract investment. The growth of Creighton is further hampered by its location on a tertiary road that is not easily accessible to the entire municipal population. Bulwer and Donnybrook are located on a secondary provincial road R617 that links DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY local municipality with all its neighbouring municipalities of Ubuhlebezwe i and Msunduzi. Third, There is no single urban centre in the Municipality that is well developed to enhance dairy markets. The scattered underdeveloped small towns coupled with a relatively small population, with low incomes limits the growth potential of the municipal's dairy sector.

1.4.5.4. Threats

One of the glaring difficulties of the dairy sector in the municipality is a worrying lack of emerging farmers. Current patterns reveal almost monopolistic stronghold by the major distributors, especially on milk pricing policies and the detrimental downward price pressure which systematically excludes emerging dairy farmers. Mainly, this is a function of the market structure, which sets high barriers of entry. This is an unsustainable trend, considering that if current dairy farmers graduate up the value chain, either (a) their space is left on a vacuum or (b) an external investor fills in the gap. This conclusion might be the explanation behind the increase of the white population –to a large extent those with initial capital- in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, in the past few years.

Also, reliance on natural rainfall is not a sustainable option. Alternative sources of water and energy need to be explored, especially in view of lowering barriers to entry for emerging farmers.

TED TOURISM SWOT ANALYSIS

<p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Favorable Natural occurring Agricultural conditions for both Timber & Livestock farming. <ul style="list-style-type: none"> • Fertile soil types. • Climate – rainfall. • Water – rivers and dams 2. Well-developed infrastructure. <ul style="list-style-type: none"> • Road network • Communications • Electrification grid 3. Excellent skills and knowledge base in formal Agriculture and Tourism Sectors. 4. World Heritage Site – UKhahlamba-Drakensberg Park. 5. Stunning Scenery and Natural Environment. 6. Sound Local Government with well-established LED unit. <ul style="list-style-type: none"> • Sound Planning documents. • Good relationship between role players including private sector. 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. High level of poverty and dependency ratio. 2. Lack of skills and low level of education. 3. Access to remote areas poorly developed. 4. Soil erosion in Ngonyama Trust Land. 5. Declining formal sector employment levels (Jobless economic growth) 6. Commercial Monopoly in Forestry Sector with skeletal staff and worker shedding. 7. Lack of extensive branding of Tourist Sector. (Including distance from major market) 8. Slow turnaround time in Land Reform issues.
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Donnybrook Town. (see specific proposal) 2. Value Chain raw material beneficiation. (Milk & Timber.) 3. Labor intensive semi-skilled manufacturing. 4. Historic Trappist Mission Stations. 5. Cape Natal Branch Railway Line. 6. Skills Development initiatives. 7. Urban renewal opportunities with nodal development and corridor enhancement. 8. Alternative waste management practices. 9. Green economy development. 10. Adventure Tourism. 11. Cultural Tourism. 	<p>THREATS</p> <ol style="list-style-type: none"> 1. Rampant and pervasive high poverty levels. 2. HIV Aids. 3. Climate Change Impact. 4. Outward migration of skills and youth. 5. Infrastructure requiring ongoing maintenance. 6. Crime and safety concerns. 7. Lack of rural norms and standards for sensitive regulatory processes. 8. Frustration with slow progress in land reform.

1.5. Key Issues For Consideration and Recommendations.

1.5.1. Some Constraints Which Undermine Growth Of Emerging Farmers

The following are some of the main constraints which undermine the growth of emerging farmers:

- **External constraints** -Adverse macroeconomic conditions (high taxes, high interest rates) and lack of institutional support.
- **Quality constraint**-Little understanding of processors' requirements, lack of laboratories and instruments for quality control, price and quality of the veterinary services.
- **Financial constraints** -Lack of capital to invest in assets, equipment and inputs that would improve quality.
- **Infrastructure constraints**-Lack or inadequacy of, among others, roads, electricity, weighing stations, cattle dips, -(all which raise transaction costs, exacerbates information asymmetries between producers and traders, and discourages investment in processing).
- **Information constraints** -Limited access to market-related information (e.g. on prices, value chains, competitors, consumer preferences).
- **Skills and knowledge constraints**-Lack of business management skills (e.g. production planning) and, in particular, inadequate access to the knowledge and technologies needed to meet rising sanitary standards, making it extremely difficult for smallholders to gain credible certification of compliance with marketing requirements.

1.5.2. Proposed Interventions and Recommendations

To mitigate the aforementioned constraints, some interventions are suggested below. While these specifically respond to the constraints, this section also thematises the constraints as an option for more comprehensive impact.

- (a) Provide Secure and adequate access to basic production inputs together with risk coping mechanisms for natural disasters and price shocks;
- (b) Dissemination of livestock market information to livestock producers;

- (c) Develop strong relationships among various chain actors (including commitments from these actors to cooperate on mutually beneficial actions/investments) and strengthened farmers' organizations;
- (d) Policies and strategies to enhance the ability of smallholders and small-scale market agents to compete in livestock product markets;
- (e) Standards and branding mechanisms to identify high-quality livestock products;
- (f) Kick-starting of domestic markets to allow the poor to exploit market opportunities;
- (g) Product differentiation to create niche markets; and
- (h) Linking of emerging farmers to expanding urban markets.

1.5.2.1. Empowerment

In view of the constraints cited above, it is important to consider empowering small scale/emerging farmers, men and women, so that they can provide high-quality, sustainable dairy production with an identified market destination (by assuring adequate access to basic production inputs, credit, capacity-building, market-related information).

1.5.2.2. An Enabling Environment

It is also developmental to facilitate small scale/emerging farmers access to markets as a catalyst for rural poverty reduction (by improving their business management skills and marketing strategies, ensuring that they have the knowledge and technologies required to meet quality and sanitary standards, and providing adequate infrastructure).

1.5.2.3. Equity

Future interventions should further ensure that the economic gains in value chains are fairly distributed among the various actors, including emerging black farmers by reducing marketing distortions, building relationships among various chain actors and strengthening farmers' organizations.

1.5.2.4. Implementation of the Spatial Development Plan

Implementing the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipal Spatial Development Plan (SDP) will go a long way to create more opportunities for the dairy sector, in terms of value add. Prioritisation of what the SDP has categorised as primary and secondary nodes is a progressive option

to expand the dairy sector. But this process should be bundled with road infrastructure upgrade as a balanced target of strategic sectors such as the dairy sector.

1.5.2.5. Addressing Barriers to Entry For Emerging Farmers

It is important that that the municipality and the local large-scale dairy farmers look for ways to bring emerging farmers into the system. In the interim this can be done by looking for sectors within the primary industry in which emerging farmers can operate and gain experience without huge capital outlay and in which local operational farmers can assist with training and mentoring. Heifer replacement rearing, a vital sector of dairy farming, is such a sector.

Dairy farmers, even without expansion, need to replace $\pm 20\%$ of their herd annually. Dairy heifers have to be raised from birth (Av mass 35kg) to first calving by ± 30 months (Av mass 450-500kg). This requires an average daily gain (ADG) of close to 0.5kg over the entire 30 months, which is no easy task. Correct nutrition and veterinary practices (dosing, inoculations & treatments when applicable) and dedicated responsible management is required to achieve the target.

To carry out an economically viable calf rearing enterprise the vital ingredients are:

- a) Suitable land
- b) A supply of acceptable heifer calves
- c) A cost effective heifer rearing program
- d) An expertly applied insemination program with sought after semen
- e) Management expertise and dedication
- f) A market for the finished product (lease or sale)

1.5.2.6. Skills Upgrade

Successful dairy farmers require sophisticated skills developed over a period of time. While Creighton dairies are making efforts to train would-be dairy farmers, holistic training will require municipal involvement as well as other stakeholders such as credit providers. For example, dairy farming requires technological as well as environmental expertise. It is also essential that dairy farmers understand trade dynamics such as market fluctuations. Existing bacteria and Somatic cell counts are also very important details as far as milk quality is concerned, yet this is not common farmer knowledge.

1.5.2.7. Credit Access

Whether current farmers or emerging farmers, the dairy sector requires interventions which facilitate access to capital. According to the Creighton Dairies, a dairy farm should have at least 300 cows to be profitable. Identifying the potential of a dairy farm will be a strategic starting point when considering facilitation to credit access.

In some cases, farmers need extra inputs to cushion crisis, while others are fairly within the threshold of supplying milk produce, except that they fall short of marginal capital. The argument that they should 'wait' until they have sufficient resources is an uncomfortable one, especially given that factors beyond farmers control could ultimately further exclude emerging farmers. The start-up cost of a dairy farming dairy operation is R22 million; in addition to operational input determined by sophisticated requirements of quality dairy products supply.

1.5.2.8. Options for Market Consistency

Surplus removal of dairy milk always is one of the biggest challenges of any player in the dairy industry, and the area experiences the same, especially during summer periods where production peaks from 160,000 litres a day to 200,000 litres a day. Although 30% of the milk is supplied to the Creighton Cheese, the surplus removal is still a problem during certain parts of the year. The cheese processing factory will present consistency trends of markets, so that high seasons do not necessarily mean wastage or market supply ceiling.

1.6. Conclusion

The dairy sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is highly strategic in addressing poverty issues. The current climatic conditions provide a strategic background, in regards to sector growth. There are, however institutional based interventions required to stimulate the expansion of the otherwise neatly commercial bearing of the sector. This report has proposed recommendations on how constraints and challenges of the sector could be effectively addressed for maximum growth impact of the sector.

Revitalization of failed land reform lands

This is already the core focus of Dept. of Rural Development and Land Reform, Dept. of Agriculture.

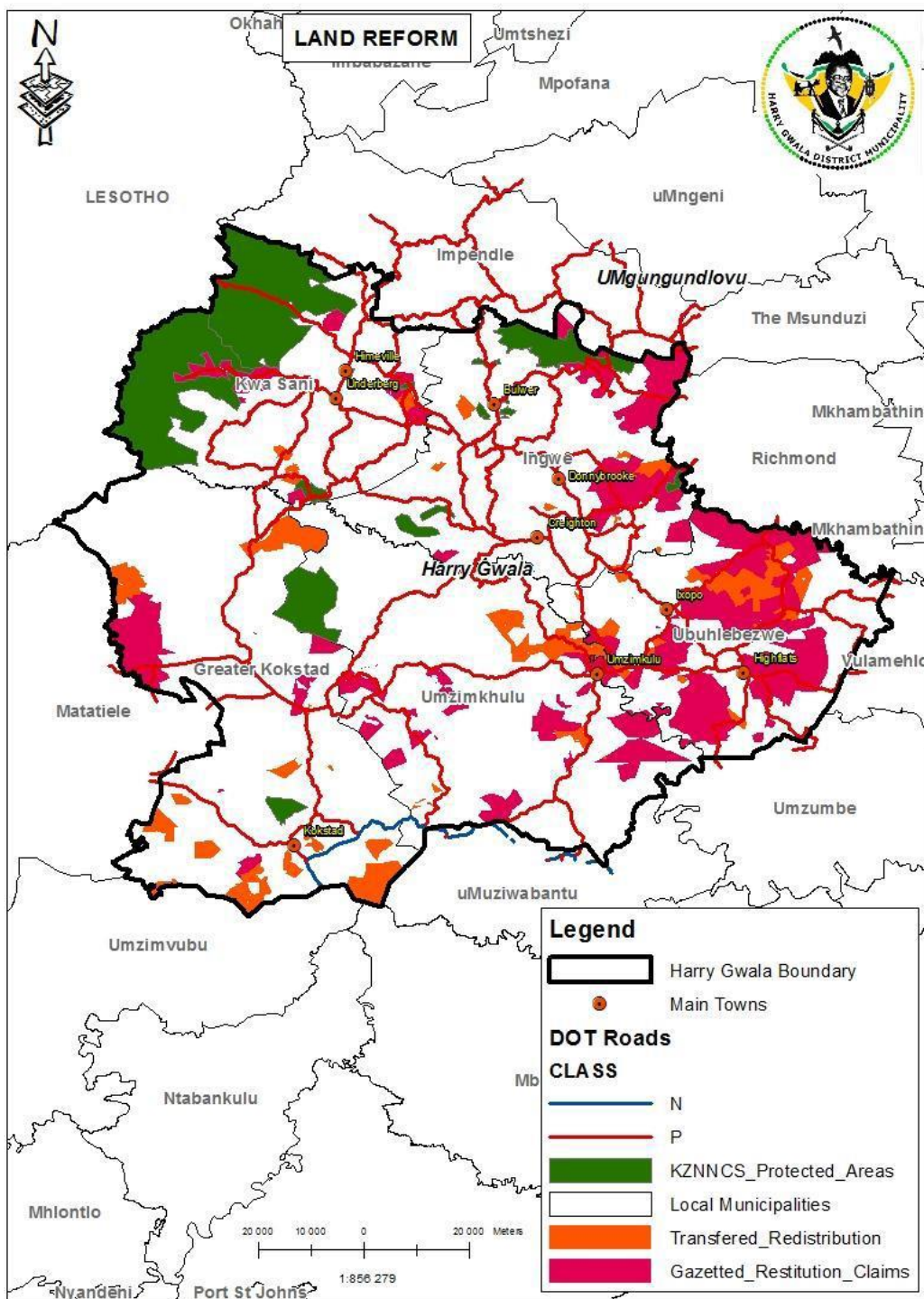


Figure 53: Land Reform: Transferred Redistribution and Gazetted Restitution Claims: Harry Gwala District Municipality.



Chapter 2 : The Tourism Sector

2.1. Introduction

The Tourism sector chapter provides a brief overview of key global, national and provincial tourism frameworks before focusing on the specifics of the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Tourism Sector, with a particular focus on the three key strategic tourism development priority sectors of the municipal area, namely rail tourism, mission tourism and avi tourism. The chapter also briefly looks at events and adventure and institutional arrangements for Tourism in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY.

The three key priority sectors were initially identified by DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY in 2000 and their development has been consistently pursued over the past decade with significant progress having been made across all three aspects. These strategic priorities were again identified and reaffirmed in the Harry Gwala District Tourism Development Strategy of 2007/2008.

The approach to tourism in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY has and continued to be informed by the theory and practice of promoting “systemic competitiveness” as described by Jorg Meyer Stammer and other proponents of international best practice in Local Economic Development (LED).

At its most simple practical level, the approach seeks to identify a locality’s “comparative advantages”, which in addition to the classical Ricardian definition of a locality “being better placed to produce a

good at a lower cost, relative to other goods, compared to another locality”, also includes the expanded notion of a locality’s specific factor and location advantages which might include specific natural resource endowments, specific geographic location, existing infrastructure and other assets, which through collective action and pro-active investment by public and private economic actors in a local economy can be transformed into a “local competitive advantage”.

Also closely related to the core concepts of “competitive advantage”, particularly when considering the issue of tourism assets and products, is the ability of local tourism actors to distinguish those tourism assets and products in which they have:

- **A common advantage:** A strong asset of a community, which may be very good to have but may not necessarily distinguish your community from others.
- **Marketable advantage:** It is quite valuable even though some other local economies may have similar advantages, but an advantage worth building on.
- **Unique advantage:** An advantage that enables a community to do something that competing local economies cannot easily do. Communities should examine how to turn a marketable advantage into something that is unique.

(Gijima KZN Local Economic Training Programme Manual (2006))

This framework is best demonstrated by looking at DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY’s own experience with tourism over the past 10 years. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality’s appealing environment including picturesque landscape, interesting cultural and historic diversity and appealing climate were not enough to attract tourists. In short they represented a common advantage shared by many other local economies in the province and the country as a whole.

Therefore in co-operation with all 5 of the other local municipalities of the Harry Gwala District, and led by the Harry Gwala District itself, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY participated in the development of the Harry Gwala Tourism Development Strategy and Plan (2007/8) with the aim of identifying and building on the competitive advantages of tourism in the Harry Gwala district and to focus on those areas in which the district has achieved a distinctive market competence or a current or potential unique competitive advantage. This continues to inform and guide the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality’s tourism economic development strategy and activities.

2.2. External Framework and Trends

2.2.1. Global tourism policy and trends

International tourism is predicted to grow in 2011 by between 4 – 5 % for the second consecutive year, but at a slower pace than 2010, according to the United Nations World Tourism Organization.¹ Although the figure is lower than the 6.7% increase registered in 2010, it is favourable compared to the 4% decline in 2009, which was tourism's "Annus horribilis". Mega events were significant contributors to global tourism growth in 2010, through events such as the Winter Olympics in Canada, the Shanghai Expo in China, the FIFA World Cup in South Africa and the Commonwealth Games in India

Tourism to the Middle East leads the regional forecasts with an expected increase of between 7% and 10%, followed by Asia/Pacific at approximately 8%. Africa and the Americas virtually tied in third place with expected growth of between 4% and 7%.²

2.2.2 South African Tourism policy and trends

At a policy level, tourism has been given priority attention in the New Growth Plan (NGP). The plan identifies tourism as one of the six core pillars of growth, with the other pillars being infrastructure development, the agricultural value chain, the mining value chain, the green economy, and manufacturing sectors in the Industrial Policy Action Plan (IPAP2).³ The draft National Tourism Sector Strategy (NTSS) was gazetted in June 2011. The vision of the NTSS is to position South Africa as one of the top 20 tourism destinations globally by 2020. Key to the successful implementation of the strategy is partnerships between government and the private sector which the strategy defines as essential in growing this sector. The overall goal of the strategy rests on four pillars, namely:(i)To drive the tourism economy;(ii) to enhance visitor experiences;(iii) To position South Africa as a destination of choice; and (iv)To sustain good governance in the industry.⁴

¹ UNWTO (2011)

² Ibid

³ National Tourism Sector Strategy February 2011

⁴ Ibid

In terms of concrete goals the strategy seeks to increase the number of foreign tourist arrivals to 15 million in 2020, increase tourism's contribution to the GDP from an estimated R189.4 billion in 2009 to R499 billion by 2020, and to create 225 000 jobs by 2020.

In order to achieve these three overarching objectives, the National Tourism Sector Strategy (NTSS) will focus on the following: (a) Domestic tourism development by increasing the number of domestic trips from 30.9 million in 2009 to 54 million by 2020. (b) Regional tourism marketing, particularly from Angola and Nigeria (c) Emerging markets, particularly the BRICS countries (d) Business events' with promoting meetings, expos, incentives, congresses, conferences, exhibitions and trade fairs. South Africa has already secured 200 international conferences for the next five years, which is estimated to attract 300 000 delegates and provide an economic boost of more than R1.6 billion. The most relevant success factors for the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipal Area in the NTSS relates to partnerships across and within the tourism sector, skills development, niche product development and rural tourism.

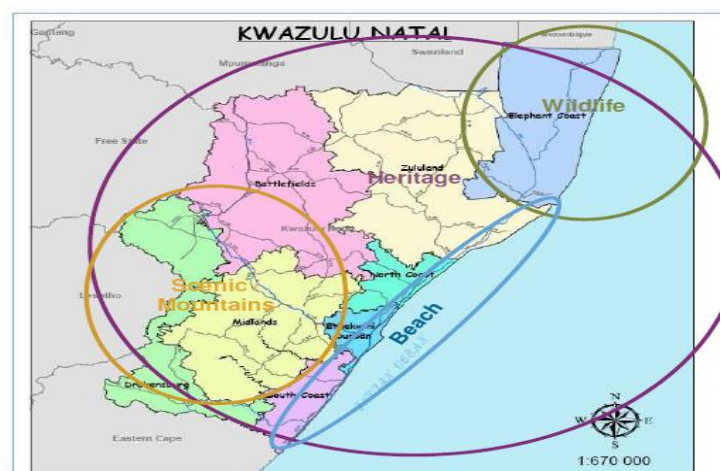
But notwithstanding the optimistic targets provided in the strategy, the current tourism business cycle is trending downwards. The Federated Hospitality Association of Southern Africa (Fedhasa) says the hotel industry is being hard hit by the economic climate and that the industry has suffered a 10% decrease in occupancy, and a number of hotels are in the process of closing.⁵ The Tourism Business Index (TBI) -- an industry barometer prepared by the Tourism Business Council of South Africa -- registered at 74.5 in the second quarter of 2011, where a normal reading is 100.

A range of weaknesses have been identified within the national tourism industry, which include accurate data collection, aviation policy and low government investment in tourism (0.5% as against a global benchmark of 3%). There is a need to improve customer service and skills base, and appropriate responses to HIV and AIDS and communication on security.

2.2.3.KZN Tourism Trends and policies

KZN foreign tourism statistics for 2009 indicated that there were 1,213 million foreign

⁵ Fedhasa statement 1st August 2011



visitors who accounted for a direct tourism revenue of R8, 75 billion spend, significantly more than the 6, 34 billion by domestic tourists.⁶⁷ The source market for foreign tourists was UK, USA, France and Germany. The most popular destinations for foreign tourists were Durban (79%), followed by Elephant Coast (40%), Zululand (30%) and then Drakensberg (27%). For domestic tourists the most popular destinations followed the same trend as foreign tourists, although domestic visitors to the Drakensberg constituted a lower percentage (9, 7% as against 27%). The statistics also indicate that activities undertaken by domestic tourists with relevance to tourism development in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipal area included visiting museums, galleries (15,5%), visiting townships or cultural villages (15,3%), visiting craft or art outlets (13%), bird watching (4,8%).

The KZN Department of Economic Development and Tourism is currently formulating a KZN Tourism Master Plan. Although still in the drafting stage, the core focus of the plan is around promoting specific forms of tourism development within defined regional spaces. The core sectors are Beach, Heritage, Scenery, wildlife as well as niche tourism which includes avitourism, rail, adventure and hunting.⁸

The implication of the proposed provincial master plan is that DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY will be included within the scenic tourism experience assigned to municipal areas adjoining the Okahlamba/Drakensberg area as well as niche markets around avi, rail and adventure.

2.2.4. Tourism within the broader Harry Gwala District

The tourism market analysis for the district in the Harry Gwala Tourism Strategy (2008) estimated a 75% to 25% split between foreign and domestic tourism respectively, with strong seasonal fluctuations in both markets (Foreigners visiting in the European winters and domestic tourists in school holidays and long weekends).

Because the Harry Gwala district does not overlap with specific KZN Tourism regional destinations, the analysis of its tourism market has to be drawn from both the Drakensberg and Midlands regions. The

⁶ Mail and Guardian website 7th August 2011

⁷ KZN Tourism Statistics 2010

⁸ KZN Tourism Master Plan (Draft 1) – 13th June 2011

KZN Foreign Market survey of 2009, (the most updated data officially available), reveals that foreign tourism visits to the Drakensberg as a percentage of foreign visitors to KZN declined from 36% in 2006 to 27% in 2009. Foreign visitors to the KZN Midlands also declined as a percentage of foreign tourists to KZN from 23% to 15%. This indicates that both tourism regions are losing market shares to other regions of KZN.

The KZN Visitors Book Surveys indicate that the foreign tourist source markets for the Drakensberg in order of size were the UK, Germany, Netherlands, France, USA and Australia. The foreign market visits to the Drakensberg region are very seasonal coinciding with the European winter and the South African summer season.

The KZN provincial surveys of domestic tourism trends indicate that Drakensberg increased its KZN share of domestic tourists from 7, 3% to 9,7% between 2005 and 2009, while those visiting the midlands declined from 15% to 10,1%⁹. The table below demonstrates that there are very definite peaks in the Drakensberg during the South African school holiday periods, and a particularly strong increase in July.

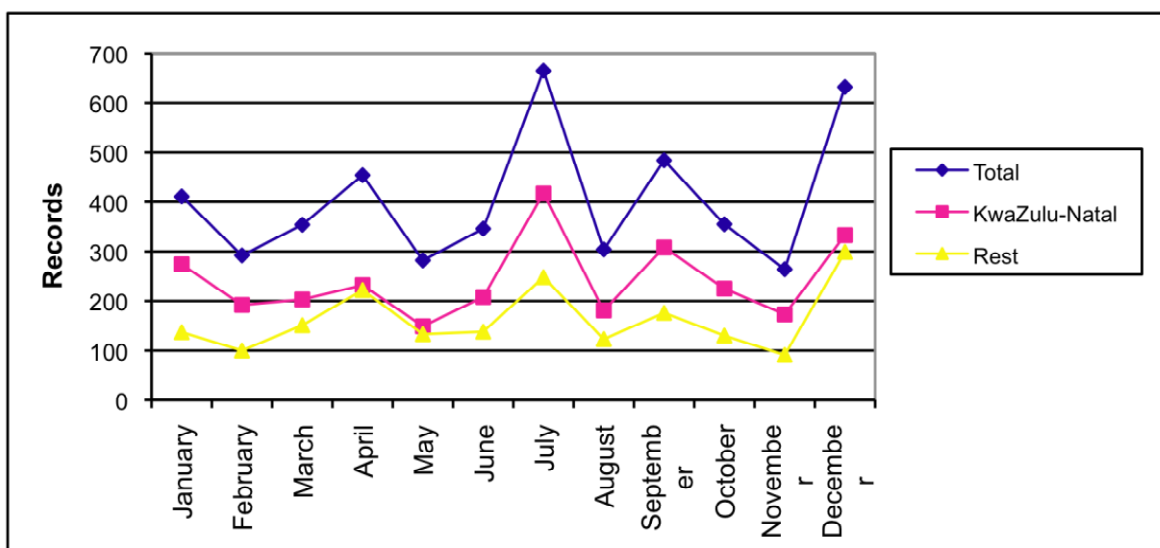


Table 2.1: Drakensberg Domestic Holidaymakers – Seasonal Flow

⁹ KZN Tourism Website 2010 Statistics.

The Harry Gwala Tourism Strategy (2008) indicates that with the exception of Underberg / Himville , business and government related accommodation tourism (Bed and Breakfasts) represents the largest market for 4 of the 5 Harry Gwala local municipal areas. Key local tourism role players in each local area identified the following unmet market demand and opportunities in the Harry Gwala district

Harry Gwala District: Unmet Market Demand and Opportunity	
Eventing (Steam Rail and Adventure)	Ubuhlebezwe, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY
Government and Business Conferencing and Accommodation	Umzimkhulu, Greater Kokstad, Ubuhlebezwe
Avi Tourism	All local municipal areas (especially Umzimkhulu, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, and Greater Kokstad)
Arts and Crafts	All local municipal areas (especially, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and Umzimkhulu)

In terms of district tourism products and assets, the participatory competitiveness workshops undertaken for the Harry Gwala District Tourism Strategy distinguished between those assets and products in which the district had a marketable or unique tourism advantage. These were defined by participants as follows:

Harry Gwala District: Marketable and Unique Tourism Competitive Advantages	
Marketable	Unique Advantages
<ul style="list-style-type: none"> ▪ Ukahlamba -Drakensberg World Heritage Park ▪ Diversity of Natural Attractions: 	<ul style="list-style-type: none"> ▪ Sani Pass ▪ Avi-Tourism in terms of the diversity of rare

<p>Mountains, wetlands, River Bush Valley</p> <ul style="list-style-type: none"> ▪ Steam Rail tourism linked with natural attractions, missions, avi tourism and adventure ▪ Avi tourism in terms of the presence of rare species ▪ Catholic Trappist Missions combined with local culture ▪ The central location of the south west of the District (Greater Kokstad) in relation to transport corridors between KZN- Eastern Cape and Gauteng – Eastern Cape. 	<p>and endemic species.</p> <ul style="list-style-type: none"> ▪ Steam Rail Tourism: Access to 2 operating steam locomotives (one the NG11, the oldest Narrow Gauge locomotive in the world) on two scenic but separate lines (narrow and broad gauge) within a 30 minute radius linked to heritage and cultural products and internationally renowned South African Writers and artists (Alan Paton, Gerard Bhengu)
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The Harry Gwala District Tourism Strategy (2008) SWOT analysis can be summarized as follows: The district tourism **strengths** identified include: established leisure tourism to Sani Pass and Ukhahlamba Drakensberg World Heritage Park, strong local government (district and local municipality) championship of and community support for the development of steam rail tourism in the district, diverse natural attractions, 3 important transport-movement corridors traversing the district, the diversity of rare endemic bird species, potential synergies between steam rail, avi-tourism, mission, and eco-cultural products, and local municipal experience of brokering public investment for tourism from national and provincial government (DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and KwaSani).

The **weaknesses** identified included: low level of tourism development outside , lack of focus and commitment from Harry Gwala District Municipality on tourism development and enablement, particularly weak commitment and capacity for tourism in Ubuhlebezwe and Greater Kokstad municipalities, lack of growth partnerships between local government, tourism business sector and civil society to develop a competitive tourism sector in the district, lack of progress in integrating community based tourism enterprises and black SMMEs into the tourism supply and value chain, limited private sector investment in tourism plant (except), the distance from urban source markets of

the south western regions of the district, the locational disadvantage of the Southern Drakensberg when competing for lucrative Gauteng market and the “common advantage” status of a significant portion of the current tourism assets and products in the district.

Opportunities identified included: increasing domestic and foreign tourism market through marketing partnership between CTO’s and district and local municipality (with District and local municipalities committing to tourism marketing budgets), addressing seasonal lows in May and June through organising steam and adventure events; developing the fledgling district steam rail tourism sector into a unique competitive advantage for the district through establishing a district public-private sector initiative to establish a fully fledged steam rail tourism sector linked to a variety of related cultural, heritage and eco-cultural products; establish private products and common infrastructure for avi-tourism; unmet market demands and opportunities relating to eventing (steam rail and adventure), government and business conferencing, accommodation, avi-tourism, and arts and crafts.

Threats to a competitive district tourism economy include: the tarring of Sani Pass which will remove the Sani Pass adventure product as and the district’s unique selling point, the proposed new N2 Toll Road, the growing gap between established tourism regions and undeveloped areas like Harry Gwala, deteriorating road and other infrastructure, failure to establish public- private tourism growth coalitions inhibiting initiatives to increase competitiveness.

2.3. Key priorities and strategic areas

The District Strategy defined 8 key result areas. These can be summarized as follows:

- **KRA1: Marketing:** To establish a District Tourism Marketing Programme based on a “cost sharing” formula between district and local municipality and private sector to market the district and local destinations based on Harry Gwala’s marketable and unique competitive advantages:
- **KRA 2: Product Development:** To develop Harry Gwala District’s unique Steam Rail Tourism competitive advantage and sector and promote downstream linkages and benefits through various actions
- **KRA 3: Product Development:** To plan and implement special events to address unmet demand for steam, rail and adventure (mountain biking, running, multi-sports events) in the domestic low season (May and June, October and November)

- KRA 4: Product Development: To develop the Harry Gwala Birding Route through the development of four bird sites with visitor facilities:
- KRA 5: Product Development: To develop Harry Gwala's competitive advantage in Mission tourism through product development, marketing plan and route
- KRA 6:Infrastructure: To upgrade existing priority tourism related road infrastructure and to implement a district Tourism signage project
- KRA 7: Tourism Education, Training and Capacity Building: Establishment of a Harry Gwala District Schools and Tourism Vocational Tourism Training programme
- KRA 8: Establish District Institutional Arrangements (Human Resources, Structure, Processes and budgets) to drive the implementation of the Harry Gwala Tourism Strategy and Plan (2008 – 2012)

2.4. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Tourism Sector

2.4.1. Overview

As indicated in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY IDP review 2011/12, tourism has been identified as one of the key strategic sectors to help diversify the local economy from primary agriculture. At the same time the IDP notes:

An audit undertaken of the generic "tourism assets" indicated that the region was richly endowed with stunning and interesting scenery, pleasant climatic conditions, interesting cross-cultural diversity, sound infra-structure, safe and hospitable environment etc, however none of these was unique to the region. One needed therefore to identify the comparative advantages which could be developed into niche brands to create a competitive tourism destination. The three comparative advantages which were identified were the historic network of Catholic Missions, the diversity of bird life, and the existence of the commercially in use Cape/Natal branch railway line .In addition DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality in becoming a preferred venue for Mountain Biking and other forms of outdoor adventure sports. The Sani2C traverses the Municipality with an overnight stop at Donnybrook.

The “Freedom Challenge” route also passes directly through the Municipality with an overnight stop at the Centocow mission. The “Mr Price” MotorX Enduro is hosted annually in Creighton¹⁰.

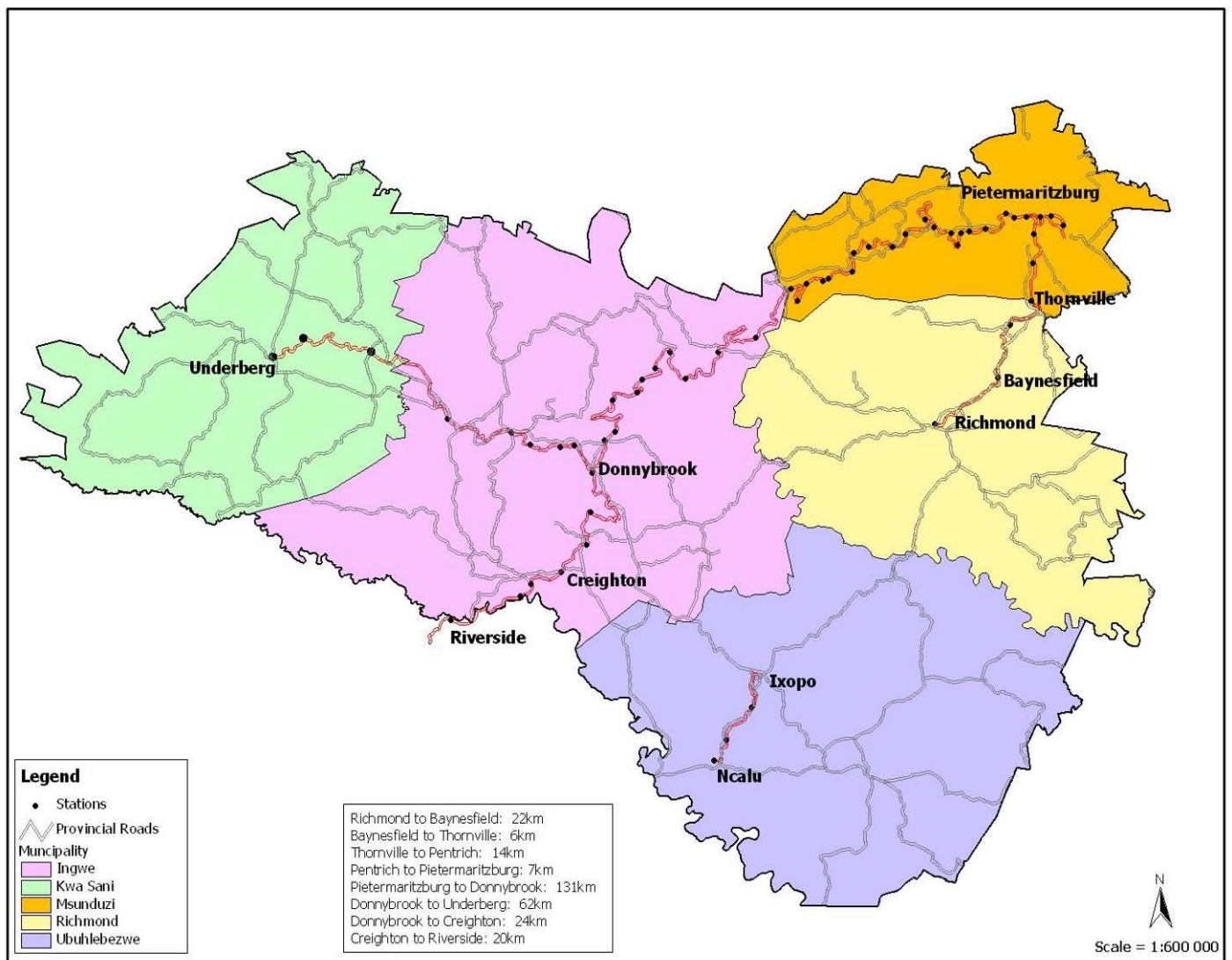


Diagram 2.2: Cape - Natal Railway line

2.4.2. Rail Tourism

(i) Comparative Advantage

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality and the Paton Country Narrow Gauge Railway have since 2000 patiently and purposefully developed a fledgling steam rail tourism sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and the broader Harry Gwala District based on the

¹⁰ Final Ingwe Municipality IDP Review May 2011

existence of the underutilised Cape Natal Railway line and the remnants of the narrow gauge line from Ixopo to UMzimkulu.

The Cape Natal Branch line and carries one train of 12-15 wagons every Thursday from Malengeni beyond Creighton to Pietermaritzburg.

The emerging Harry Gwala steam rail tourism product in combination with the natural scenery, avi-tourism, mission and other adventure products, provides the Harry Gwala district with a potentially unique competitive tourism advantage. Furthermore it is a sector that every municipal area in the district can actively participate in by adding value to the “off train” products and benefiting from the “Unique Selling Point” (USP) market channel that a district steam rail tourism sector or cluster would offer the district that distinguishes it from all others.

(ii) Competitive Advantage

In developing its rail competitive advantage, the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality has made significant investments in the acquisition of rolling stock. This includes:

- A locomotive 19D 2669
- Locomotive GMAM 4074
- Locomotive GF 2416
- Locomotive GCA 2621
- 3 water bottles
- 3 passenger coaches (Eshaya Moya)
- 11 coaches for the Sisonke Stimela

In total some R12 million has been invested in rail infrastructure (R10, 2 million on the Harry Gwala Stimela and R1,8 million on the train set making up the Eshaya Moya).

In terms of creating an enabling environment the municipality has secured water at Ncwadi and a special access agreement for the operation of the two trains sets has been secured through Paton Country Narrow Gauge lines.

The Harry Gwala Stimela luxury train was formally launched as a product in May 2010, and is operated by a private sector partner, October Winds, who have formed a service agreement with the hotel and

hospitality group Signature Life. The group has been providing a single one night product entitled “One Night Steam Train to Nowhere” which have been undertaken to date on a sporadic basis and which they have undertaken to provide on a regular weekly basis. The train travels a short distance between Creighton and Riverside and then spends the night next to the Ngwagwane River. The product is currently marketed through the Signature Life channels. The cost is R1500 per person inclusive of dinner, bed and breakfast.

The Eshaya Moya train set which includes sitter and lounge coaches and can carry up to 200 seated passengers is largely used over the July holiday period to operate the Aloe Festival train trips, also along the route to Riverside taking in the Ngwagwane and Umzimkhulu river valleys. The Aloe Steam Festival product has become increasingly popular over the past 3 years and has been extended from 1 to 3 weekends to keep up with demand in 2011. The train set is also leased for other occasional events which have Donnybrook, Riverside or Underberg as a destination and are largely organized under the auspices of Southern Midlands Tourism and the Paton Country Narrow Gauge Railway.

(iii) Challenges and obstacles

There remain four key challenges and obstacles to the development of a sustainable rail tourism sector in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and broader Harry Gwala District

- The first relates to Transnet Freight and the extreme difficulties this State Owned Enterprise (SOE) poses to the rail tourism sector in terms of both line access control and its access charges per ton kilometre. In addition it has made line access conditional on the supply of two fitters who have to be brought down from Johannesburg to provide train safety. The line access costs appear to be arbitrarily defined. The cost increase for 2011 has been 17%. The net effect is that the line access costs reduce profitability and discourage sustainable commercial operations.
- The second relates to the skills necessary to sustain the sector. Many of the current operational staff are in retirement and/or reaching the end of their work life, and there is an urgent need to secure a succession plan for these critical staff. This includes the driver, fireman, fitter, the wagon inspector and train manager. These are formal certificated courses. The successions plan would require the time and costs associated with the recruitment, training, certification and mentoring of staff through a formal SETA accredited programme.

- The third relates to the performance of the Harry Gwala Stimela private train operator, October Winds Ltd and its hospitality partner, Signature Life, who have yet to achieve key deliverables for the sustainable operation of the initiative, such as the necessary marketing, a stable schedule, the development of off-train products and the necessary quality of service and experience. Furthermore they have yet to undertake the necessary liaison with Transnet Freight to secure an enabling access agreement that is so critical for the success of the operations.
- The future of the district line remains uncertain. Despite the formulation of a district line strategy in 2009, there still remains uncertainty on their future. In order to grow the sector, certainty is required on the future of the Cape Natal Line.

(iv) Priority Actions and investments

The following actions and investments are required

- The establishment of a “fit for purpose” rail services at Donnybrook as an integral part of the establishment of the Donnybrook Timber hub. This would include refurbishing passenger services such as waiting room, toilets, parking and landscaping as well as other operational requirements such as water and a storeroom. A concept plan for the refurbishment of Donnybrook Station Buildings was undertaken in 2008 as part of the Gijima KZN funded Harry Gwala Birding Route project which would need to be reviewed and updated.
- A human resource development plan for the Steam Train operations management which includes the recruitment, accredited training and induction, mentoring of a full set of operations staff including 2 Drivers, 2 fireman, 2 wagon 2 wagon inspector and 2 train managers. The activity would include securing the funding and managing the programme for the entire Steam Train Human Resource Development Programme.
- The establishment of an alien plant clearance programme in conjunction with Transnet along the Cape Natal line from Creighton to Donnybrook and Creighton to Riverside, and a related but separate alien plant clearance along the Ngwagwane River valley currently under

Ingonyama Trust custodianship to enhance the quality of the scenic train route as well as to contribute to environmental management, job creation and poverty reduction.

- To promote the introduction of rail bikes from Donnybrook to Creighton and Donnybrook to Ncwadi.

1. Underberg/ Himeville

Underberg is the most populous and prosperous of the villages on the Dr Nkosazana Dlamini Zuma Municipality. It is a well-established tourist destination leveraging the comparative advantage of the uKhahlamba Drakensberg Park (a World Heritage Site)

It is the intention of the Municipality to facilitate the introduction of a Steam Hauled Tourist Train offering Day Trips from the Underberg Station. The operator will be Patrons Country Railway who runs trains in Ixopo and Creighton.

Creighton and Ixopo are two villages that do not under normal circumstances feature as tourist destinations but despite this the Steam Hauled Day Trip Trains that operate there have become popular. The Aloe Festival in Creighton has been successfully held for 12 years attracting more than 3800 ticket paying passengers in July 2016. Based on this experience the purpose is to create a Steam Hauled, Day Trip, and Rail Tourism Offering- in UNDERBERG.



The proposal aligns to the Harry Gwala District Tourism Strategy and complements the Rail Tourism offering within the District increasing the critical mass.

	Potential projects
1.3.1	Audit of rail infrastructure (Rail lines, rolling stock, stations) throughout the District and develop business plan for upgrading and maintenance of infrastructure.
1.3.2	Assist SMMEs to register as suppliers to partner/sub contract on maintenance as a mechanism for succession and skills transfer within the rail tourism industry in the District.
1.3.3	Support the use of the rail line between Underberg and Pevensy in Kwa Sani, Creighton to Riverside in Umzimkhulu. (Permission and support will be required from TRF)
1.3.4	Facilitate upgrade of stations which includes renovations (i.e. upgrade and increase ablution facilities, food outlets, curio shop, Wi-Fi hotspots etc.) of existing station buildings such as Allwoodburn Station, Riverside Station and Underberg.
1.3.5	Leverage on the partnership with Transnet and the Rail Safety Regulator for affordable compliance and safety requirements.

Rail tourism was identified in the recommended top 5 priority projects (section 4.3.2.1 on page 52) as well as a potential catalytic project for stimulating tourism within the Harry Gwala District, Underberg/Himeville has been identify as an ideal site for expanding the reach of rail tourism (section 4.3.3 on page 58). The extract below provides a summary of Rail Tourism as a Catalytic Project:

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Exploring viability of, product packaging, marketing and thereafter undertaking of the Rail Alan Paton legacy rail tours. This would include, but not limited to the following activities as, outlined in the project list and prioritisation framework: |
| <ol style="list-style-type: none"> Support the use of the rail line between Underberg and Pevensy in Kwa Sani, Creighton to Riverside in UMzimkhulu. (Permission and support will be required from TFR) Undertake baseline research into the operation, management and maintenance of rail tourism products - locomotives and related experiences; Investigate accredited training for specialist skills in the rail tourism industry. E.g., fireman, maintenance staff, train drivers, etc. Exploring rail bikes opportunity including the manufacturing, assembling, maintenance, packaging and licensing of said venture; and promotion it as an enterprise opportunity for SMMEs Exploring linkages of rail tourism to adventure tourism, e.g. flagship events |

- 6.● Provide detailed write ups to HGDA and TIKZN Investment Committee for investment promotion.
- 7.● Implement a rail-tourism promotion campaign - across all media with the help of TKZN and BrandSA. Identify and include rail tourism packages and routes in this campaign.
- 8.● Refurbishment of existing train stations and explore trading opportunities at new or existing stations and markets in Underberg – Himeville.

GCA 2621



Locomotive GCA 2621 is restorable



The budget required for the restoration of assets as well as establishment costs is discussed under disposal of Sisonke Stimela.



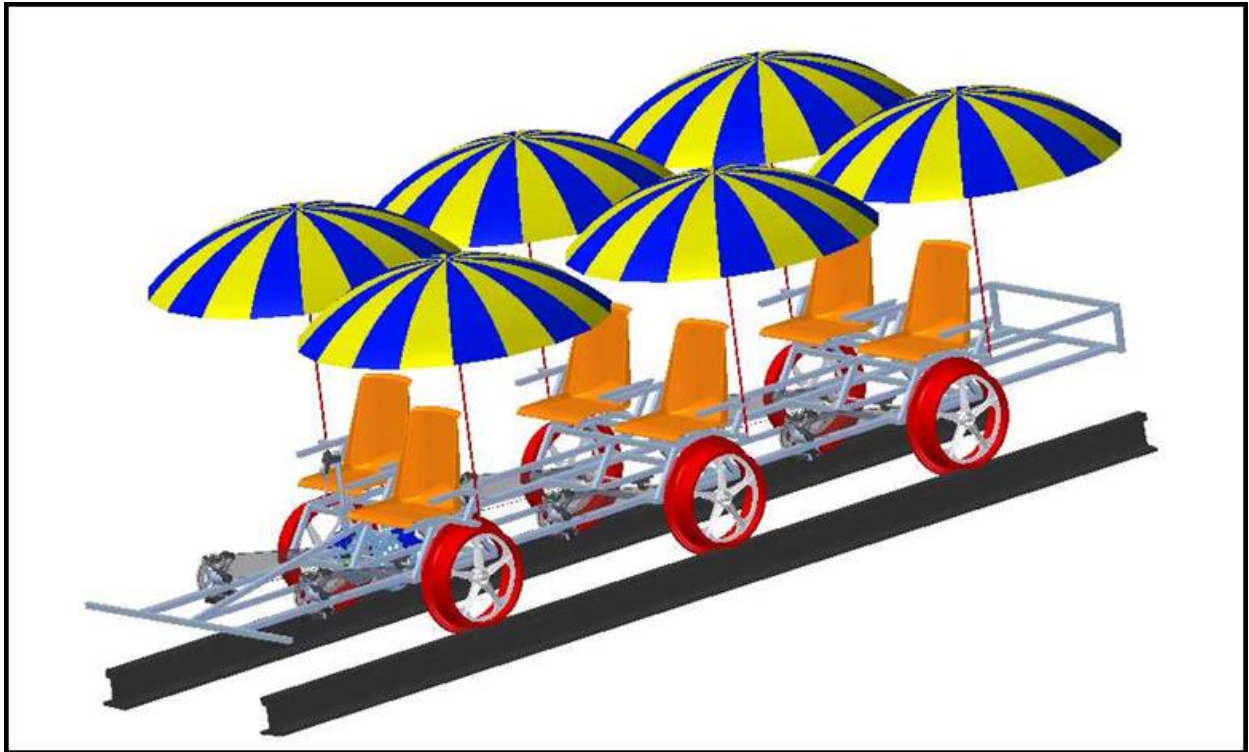
Passenger coaches currently located at Watervalboven will need to be acquired (loan from Transnet Heritage Foundation) or purchased and moved to Underberg. The condition of the coaches is good and no cost will be necessary for restoration.

The obstacle to implementation of Rail Tourism in Underberg is permission from TFR to take over the station precinct and access to the unused railway line. Transnet have been approached in this regard but are not obliging and it is anticipated that political intervention will be necessary.

The Harry Gwala Tourism Sector Strategy (31st March 2016) adopted the following Vision **“to be a leading inland destination for rail, nature-based , adventure, historical, culture and heritage tourism by 2021. Promoting use of Tourism assets in a socially , pro-poor and environmentally sustainable manner to achieve equitable economic prosperity.”**

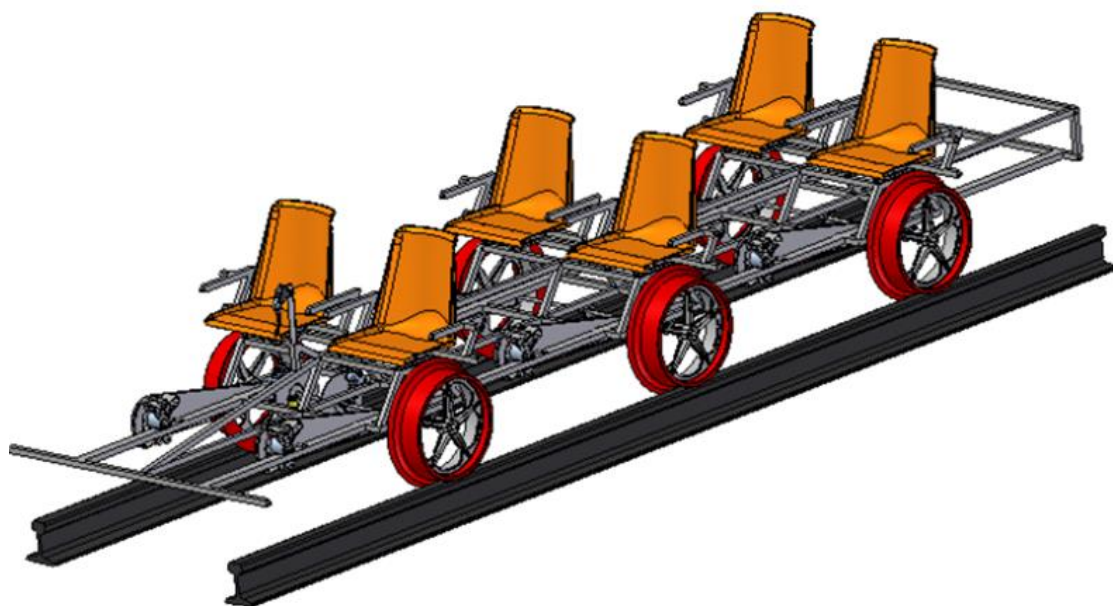
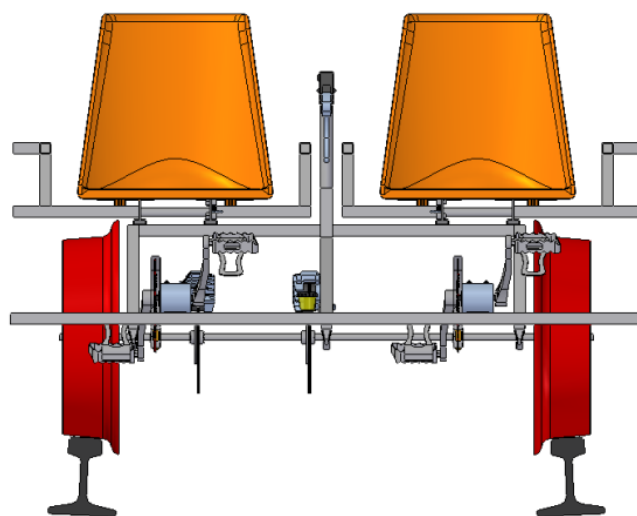
In line with the following project complements the Rail Tourism and adventure offering.

RAILBIKES



- ❖ A RAILBIKE is a human powered passenger vehicle suitable to transport up to 6 passengers at a time on a railway line. (Human power can be augmented by supplementary assistance, as for example solar power/assist.)
- ❖ Rail bikes could be hired by any group of people, but must at all times be accompanied by a GUIDE/PILOT.
 - They could then embark on a journey along the specified route on the un-utilized TFR line.
 - Only lines no longer in commercial use by TRF will be used.
 - They could travel in any direction, at a safe speed, could stop when/where they pleased (even to stay over in a local bed and breakfast) before proceeding along the route.
 - The route must be pre-determined and a permit issued under the control of the operator.

The railcar fits onto a standard track width of 3'6" or 1067mm. Once on the track riders may embark. All luggage should be stored at the rear of the vehicle in a suitable receptacle. The guide should take one of the front two seats as he/she would be responsible for braking the vehicle. Umbrellas can be fitted in the slots provided on the outer armrests if desired. Pedalling the railcar clockwise when viewed from the right hand side will result in forward motion. A rider is free to stop pedalling as the axles will freewheel even if the other riders continue to provide power. The fixed ratio means that all riders will pedal at the same rate. The seat should be adjusted to provide a comfortable position not allowing the riders knees to completely straighten as this can cause muscular injury when exercised over long periods of time. No steering is required. Should the railcar need to be removed from the track, one person may achieve this by lifting first one side and then the other off of the rails. This amounts to an approximate lifting mass of 55kg per side.



It is the intention to facilitate Railbikes access on all unused Railway lines within the Municipality and beyond if possible, this will need political persuasion.

2.4.3. Avi Tourism

Avi tourism, tourism focused on sighting and observing birds in their natural habitats, has been identified together with rail tourism and mission tourism as key potential competitive advantages in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality and the broader Harry Gwala District Municipality.

(i) Comparative Advantages

DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is well placed to take advantage of this important tourism niche market as it has a wide variety of extremely valuable birding sites within and adjacent to its boundaries. Two sites in particular have been highlighted as “Top Birding Spots” in South Africa (Chittenden H et al; Top Birding Spots in South Africa 1992), namely the Sani Pass(within the neighbouring Municipality) region and Gqumeni Forest, near to Donnybrook in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality.. The broader Harry Gwala district also contains seven “Important Bird Areas”, of which 2 are located in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY. These are:

- SA064 – KZN Drakensberg Park
- SA071 – KZN Mistbelt Forests
- SA078 – KZN Mistbelt Grasslands
- SA080 – Greater Ingwangwana River
- SA081 – Franklin Vlei
- SA082 – Matatiele Commonage
- SA083 – Penny Park
- SA084 – Mount Currie Nature Reserve ¹¹

The broader Southern KwaZulu-Natal features more than 300 species of which 63 are endemic and 67 red data species.

(ii) Competitive Advantages

¹¹ Barnes et al. (1998) Important Bird Areas of South Africa.

The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and Harry Gwala Municipalities together with Birdlife South Africa have developed a specific Harry Gwala Birding Route within the broader Southern KZN Birding Route. The Southern KwaZulu-Natal (SKZN) Birding Route was initiated in 2003 and was originally conceptualised to replicate the Zululand Birding Route. In October 2006 the Sappi WWF Tree Routes partnership agreed to support the development of the Southern KwaZulu-Natal Birding route over a 2 year (2007/08) period.

An official guide for the Southern KwaZulu-Natal Birding Route incorporating the Harry Gwala Birding Route was published under the auspices of Birdlife South Africa with support from SAPPI WWF Tree Routes partnership and KZN Tourism. Hard copies of the official guide have been produced and distributed in Harry Gwala. Further information on the Southern KZN Birding Route is currently available on the SA birdlife website http://birdingroutes.co.za/southern_kzn

The Harry Gwala Bird Route as described in the official Southern KZN Birding route comprises 11 sites and mini-routes of which 4 are within the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipal area. The full list is as follows:

- Marutshwa Forest Board Walk (DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality)
- Gqumeni Forest (DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality)
- Highover Wildlife Sanctuary (DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality y)
- Harry Gwala Central (DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality and broader Harry Gwala District)
- Sani Pass and Cobham (Broader Harry Gwala)
- Korongo Valley Guest Farm (Broader Harry Gwala)
- Sutherland Farm (Broader Harry Gwala)
- Springbok Farm (Broader Harry Gwala)
- Ntsikeni Nature Reserve (Broader Harry Gwala)
- Franklin Vlei (Broader Harry Gwala)
- Harry Gwala Southern Route Broader Harry Gwala

Market research into avi tourism in Harry Gwala in 2005 indicated that with the existing avi tourism product mix, Harry Gwala is well placed to begin accessing a greater share of the avi tourism market. However, some key observations were raised through the research, namely:¹²

- Avi tourists who had been to birding sites in Harry Gwala in the past planned significantly fewer return trips when compared to St Lucia and the Kruger National Park.
- Respondents listed “availability of detailed information” as the most important aspect of a valuable birding experience. This was followed by sightings of rare birds, access to new areas and access to new birding products such as boardwalks or hides.
- Majority of respondents would prefer “Birder friendly” establishments or at the least self catering style accommodation.
- Majority of respondents noted that they would use local guides for locating endemic, special or rare birds as well auxiliary services such as security

The report also noted that there was a limited pool of tour operators in the region that cater specifically for the birding tourists, with no more than five businesses based in Harry Gwala branding themselves as avi tour operators. All of these operators have a similar socio-economic profile and market base, targeting mostly dedicated avi tourists in the middle to high income categories and charge in excess of R500 per day.

The Marutshwa Forest Trail and Boardwalk was constructed in 2008 with funding from SAPPI WWF Tree Routes Partnership and the Wildlands Conservation Trust. It offers treetop canopy tours, forest walks, a coffee shop, nursery and information centre. The operations of the project are currently managed by the Wildlands Conservations trust. There are 5 fulltime employees providing custodianship and facilitation role, and up to 70 “trepreneurs” propagating indigenous saplings linked to the initiative.

In 2007/8, the Harry Gwala District Municipality in partnership with Birdlife SA sourced funding through Gijima KZN to do feasibility and initial planning on three or four additional avi tourism products on the Harry Gwala Birding Route. This included:

¹² Harry Gwala Birding Route: Feasibility and Development Plan (2005), Birdlife South Africa and Harry Gwala District Municipality

- Harry Gwala Mobile Vulture Hide
- Sani Top Vulture Restaurant
- Gqumeni Dawn Chorus Centre
- Umgano Bird Hide

Although the planning has been completed, a number of the products were found to be unfeasible or too ambitious and premature given the current market and development status of avi tourism in the district.

One of the proposals that have been taken up subsequently is that of the mobile Vulture restaurant which involves a local avi tourism business, Button Birding, and local landowners. The local farmers provide carcasses that are antibiotic free. This programme is working well and currently draws approximately about 48 Cape vultures as well as Bearded vultures. Although the current site is located near Underberg, the vulture restaurant is “mobile”, and can be moved to other sites including Ntsikeni and Umgano.

Although the Gqumeni Dawn Chorus Centre has not been pursued, the Gqumeni Forest situated alongside the Donnybrook railway station, is an important birding site, and a priority avi tourism site within the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality. The forest has a long history among birding tourists as a classic example of an Afromontane forest in KwaZulu-Natal. The forest has a breeding site for the much sought after Cape Parrot and is home to other special species such as the Orange Ground-Thrush, White-starred Robin, Barrat’s Warbler, Forest Buzzard, Knysna Turaco, Narina Trogon & African Crowned Eagle.

(iii) Challenges and obstacles

Since the ending of the initial 2 year funding from the SAPPI WWF Tree Routes partnership for the Southern KZN Birding route and the ending of the full time project management capacity, there has been a significant decline in the level of championship required to drive the implementation of the various marketing and development processes to grow the Harry Gwala Avi tourism sector. The economic recession and the related cyclical decline in avi tourism economic activity may also have lowered enthusiasm amongst operators and tour guides to champion Avi Tourism development in the locality.

The job creation potential of avi tourism may also have been overstated in national and local initiatives. A number of the original group of 10 local guides who were trained and developed through the Southern KwaZulu Natal Birding Route initiative have had difficulty sustaining a livelihood through local bird guiding.

(iv) Priority Actions and Investment

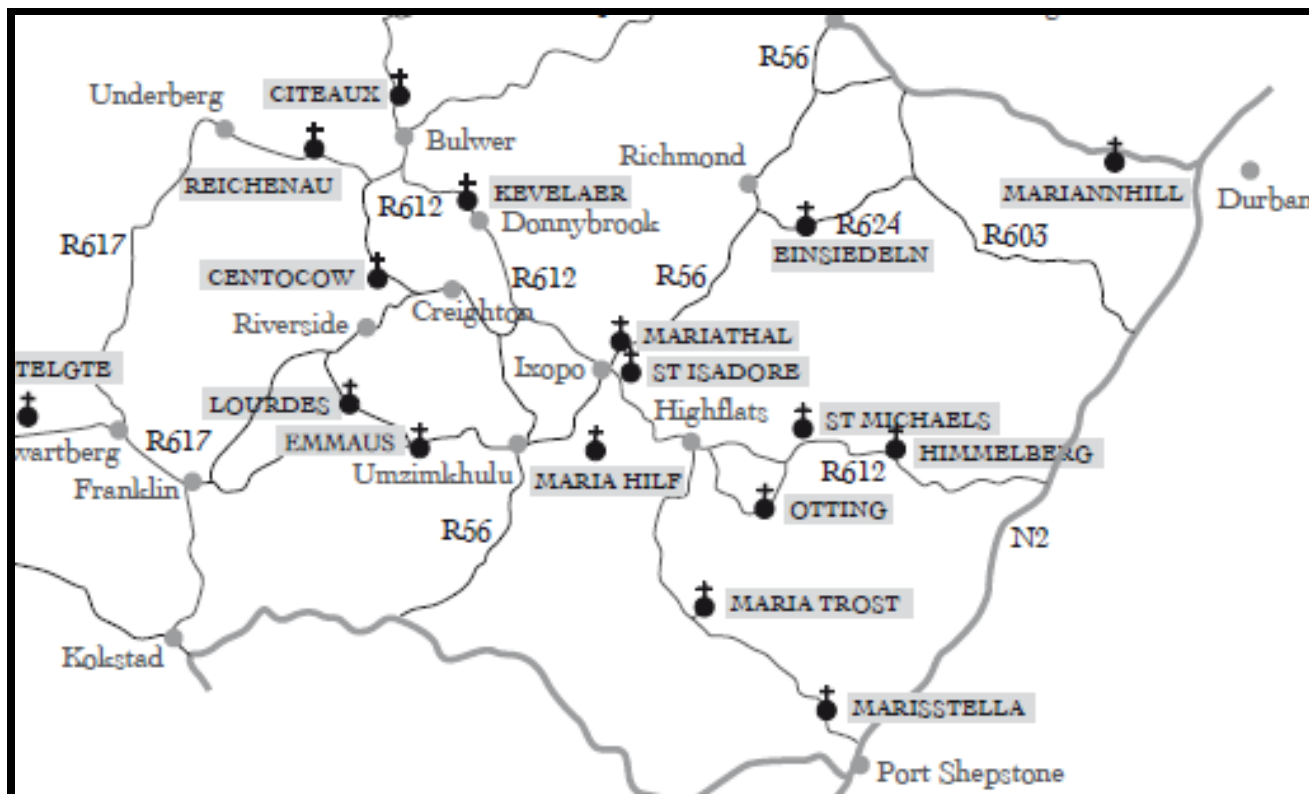
The upgrading of the related infrastructure and services for the Gqumeni Forest avi tourism site remains a key priority for the development of the avi tourism sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY. This would entail ensuring the use of a portion of the proposed refurbished Donnybrook station buildings within the broader Timber hub development to serve as a “fit for purpose” meeting point for birders and guides visiting the Gqumeni Forest. The station buildings could also serve as a place to advertise the forest, its birding assets and guides operating in the forest. The prioritised action should also include the development of a walk through the forest with a level of signage and amenities to enhance the experience. Funding could be sourced through National Treasury’s Neighbourhood Development Partnership Grant Fund. A further aspect of improving the site experience would be an alien clearance programme and indigenous tree revitalization programme to be undertaken in conjunction with the custodian agency for the forest. This would improve the bird habitat and enhance the quality of the tourism experience as well as create employment opportunities

Further attention needs to be given to improving the labour market conditions for optimizing employment opportunities for avi tourism. This would include actions to support the retention and expansion of existing local tour guides through improved market linkages, further skills development and capacity building and the extension of avi tourism guide recruitment and training if the market conditions are suitable. This area will require further research and the development of an action plan.

2.4.4 Mission tourism

The Harry Gwala district was an important site for a complex of monasteries and missions that the Trappist monks created in the 19th Century across the province of KwaZulu-Natal at Mariannahill East Griqualand and the valleys of the Midlands, and includes Centecow, Kavalaer, Mariathal, Reichnau, Lourdes, Emmaus and the current King’s Grant. Historically these missions have always represented

the cultural intersection between European monasticism and local black rural culture, and represent important heritage nodes of architecture, art and cultural synthesis and diversity.



(i) Comparative Advantage

The missions constitute a unique cultural and heritage tourism asset in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and the broader Harry Gwala district, and provides an important opportunity for story telling in that among the greatest historical narratives of KwaZulu-Natal is the remarkable story of the silent order of German Trappist monks who came to share their particular vision of Christian life with the population of the KZN region more than a hundred years ago.

Centocow Mission in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality is of particular significance because of the architectural heritage of the mission church built there. Not only does this building reflect the style developed by the Trappists in KwaZulu-Natal, it contains a unique record of individuals' influential in the Roman Catholic Church at the time, represented in a stained-glass window. The church also houses a rare reproduction of the famous Polish icon depicting the Black Madonna of Czestochowa.

(ii) Competitive Advantage

Following negotiations with the Catholic Church, DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality secured a long-term

lease of one of the unused mission building at Centocow in 2004, and with the support of the Department of Environmental Development and Tourism renovated the building and initiated a weaving project that is housed on the first floor of the building and accommodates a co-operative of 17 weavers who are producing high quality carpets and mats.

Thereafter DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality secured R 1, 4 million to transform the ground floor of this building into an eatery and the third floor into an accommodation facility. The accommodation facility sleeps up to 12 people, while the ground floor is an eatery that seats up to 50 people. The dining facility also caters for Harry Gwala Stimela Rail tourist groups who visit the Centocow Mission. The accommodation facility caters for participants on the Freedom Trail challenge, and will provide accommodation for school art groups who will come on educational study tours to visit the Bhengu Art gallery which is currently under construction (see 3.4.1below).

To enhance the story telling dimension of Centecow Mission, in 2009 DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality commissioned and produced a CD set called "Hidden Treasures" that provides a narrative account of the Trappist story in KZN with a particular focus on the Centacow Mission and an account of the life Gerard Bhengu.

Within the broader Harry Gwala district, significant progress has been made in renovating the Reichenau mission and the mill which is now operational producing stone ground maize and wheat.

2.4.5 Gerard Bhengu Art Gallery and Museum

(i) Comparative Advantages

Centocow Mission also intersects with a notable aspect of South African art history as it served as the starting point for the career of the international recognised artist Gerard Bhengu whose artwork is represented in numerous public and private collections both locally and abroad. As a young man

Gerard Bhengu suffered from tuberculosis and was treated in the medical clinic attached to the Centocow Mission. It was here that he was first encouraged to draw and paint by members of staff at Centocow, which finally resulted in further artistic training at Edendale Teachers Training College. Gerard Bhengu went on to have a long career as an artist spanning from 1937 to his death in 1990. Unfortunately, the racial discrimination that dominated the Apartheid era, during which he lived, prevented him from achieving the level of success that his talent deserved and he died a poor man.

One of the remarkable features of Bhengu's art is his portrayal of the lifestyle and customs of the of the Bhaca people around Centocow. As a result, Bhengu's art is also an important historical record of Bhaca culture. The most notable aspect of Gerard Bhengu's career is that he acted as a cultural bridge between the purely symbolic arts of pre-colonial South Africa and the more illustrative nature of expression that emerged during the interface between African tradition and European institutions.

(ii) Competitive Advantages

Since 2005, the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality has been working towards the establishment of a Gerard Bhengu Gallery and Museum at Centocow. In January 2010, a Business Plan was submitted to the National Lottery Distribution Trust Fund. An amount of R2,725, million was granted in December 2010. This has been augmented with grants by the Joan St Ledger Lindbergh Trust of R 500, 000 and the Harry Gwala District Municipality of R1000000, bringing the total to R4225000.

Under the auspices of a multi-stakeholder Steering Committee comprising AMAFA, the KZN Museum Services, The Killie Campbell Africana Library, the Tatham Arts Gallery, the entire project is about to commence. It will comprise major renovations to the original (now deconsecrated) Centocow church as well as the display of more than 200 Gerard Bhengu paintings which have been donated to the municipality by the Killie Campbell African Library. The gallery and museum will have three main themes, namely; the Mission's history, Gerard Bhengu Gallery and Bhaca/Khuze material culture from the Emakhuzeni and other areas that abut the Mission.

The KZN Museum Services have committed a budget of R500 000 per annum as part of their museum provincialization programme to support the ongoing operations of the gallery and museum and two staff members will be appointed (a curator and cleaner). This will ensure the sustainability of the gallery and museum as a public good.

In addition to the public goods dimension of the gallery and museum in conserving important cultural, artistic and heritage artefacts, the gallery and museum will serve as an important node of tourism economic activity. As Gerard Bhengu is required study in the schools art curriculum, the gallery and the associated facilities at Centocow including the accommodation units will provide a sustainable educational schools market. The existence of the gallery and museum will also provide an important additional quality product mix for avi, rail and mission tourism market.

2.4.6 Centocow and the Freedom Challenge

The Freedom Challenge is a mountain bike trail that intends eventually to run from Kilimanjaro to Cape Town. The section that starts in Pietermaritzburg and ends 2300km later in Cape Town has already been established. Within the broader Harry Gwala and DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality, the trail currently goes through Hella Hella and through the indigenous forests of Gqumeni and Nkonzo to Centocow across the Mabandla Community Conservation area to Ntsikeni Nature Reserve and then onto the Little Umzimvubu. The trail is already drawing local and international mountain bikers, and the aim of the organisers is to get at least one group of 10 people riding the complete trail per week. The Centocow accommodation unit currently caters for groups that are coming through on a regular basis. The organizers of the trail were responsible for securing funding from the Joan St Ledger Lindbergh Trust of R 500, 000.

(i) Priority Actions and Investments

The growing popularity of mountain biking as an outdoor and light adventure sport, there is potential to examine the development of a bike trail that links the various missions together. The first step would be to develop a bike trail between Centecow and Reichenau Mission, a distance of 17 kilometres.

2.4.7. Events and adventure tourism

There are a string of events that occur annually in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality. Many of them are related to community fund-raising initiatives.

- The annual Sani to Sea cycle race goes through the municipality, and cyclists are required to spend one night at Eastwolds. This is the biggest annual event.
- The Endura Motorcross competition is on the South African motocross calendar.
- There is an annual handgliding event at Bulwer, whose venue is reputed to be one of the best in South Africa.
- There are canoe races on the UMkomaas and UMzimkhulu Rivers.
- Highover offers regular white-water rafting events.
- The municipality has an annual Aloe Festival in July, and the Aloe Festival Steam train has become increasingly popular combining the attraction of a day steam trip with the spectacular scenery and aloe flora along the Ngwagwana Gorge.
- The 2300 km Freedom Trail race takes place in July each year
- There is a strong following of traditional horseracing at Kilmon

Bulwer and the Magwaqa Mountain at 2072 m above sea level is rated as one of the best paragliding and hang gliding sites in South Africa. There are two South African Hang Gliding and Paragliding Association (SAHPA) registered operators offering training, tandem flights.

Interest is growing in traditional horse racing in KwaZulu-Natal. In Kilmon traditional or rural horse riding has been practiced over a long period. The community with the support of the Department of Arts, Culture, Sports and Recreation successfully hosted the Harry Gwala Summer Cup in November 2010, with 1 000 spectators. The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality has budgeted R 1 million for the construction of a Horse racing track with crawls in the 2011/2012 financial year.

2.5. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Tourism Institutional Arrangements

The product owners and other private sector tourism operators are represented through the Southern Midland Tourism Association. The current Chairperson is Glynnis McShewan. There are 26 product owner members of the association. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY's private tourism sector is still small and undeveloped. The largest tourism product owner member of the Southern Midlands Tourism Association is the Suntide Qunu lodge, a holiday club owned resort with 30 self catering units, restaurant, conference and outdoor facilities.

The co-ordination of state and private sector actors takes place through the Harry Gwala LED and Tourism Forum, which currently largely comprises municipal and other government officials.

Chapter 3: The Forestry Sector

3.1. Introduction

The forestry sector is one of the largest and most important land users in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Local Municipality (LM) area with an estimated land holding of more than 56 000 ha of which over 25 000 ha are under industrial plantations, conservatively estimated to be sustainably yielding in excess of 450 000 tons of utilizable timber per year. Annual turnover of the plantations and sawmilling sector is estimated to exceed R300 million with participation in the sector being dominated by national and multi-national corporations.

Although contributing substantially to employment in the area it appears that the further expansion of the plantation resource base and the development of the value-adding and forest product components of the value chain, if strategically targeted by local government and the private sector, could make a far greater economic contribution to the region in the future. Optimised utilisation of, among other, roundwood, harvesting and sawmilling residues, small-wood from thinning, lathes from wattle jungles and building and fencing poles from eucalyptus stands could offer a range of enterprise development opportunities well suited to the rural nature of the area and its existing road and rail infrastructure.

The role of forestry as an appropriate vehicle for local economic development through the creation of jobs and addressing poverty in the rural areas has been recognised by all levels of government and in particular by provincial and local government in KZN. Mr Michael Mabuyakhulu, MEC for Economic Development and Tourism in his 2010/2011 budget speech reiterated the importance of the forest sector to KZN and indicated his department's support for new afforestation and the development of value-adding enterprises.

3.2. The Forest Sector

Before addressing the proposed economic strategy for the forest sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, it would be useful to define and describe the sector in general and in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM in particular.

The forest sector can be classified according to the kind of forest and elements of the value chain, namely:

1. Natural forests that are indigenous to South Africa
2. Forestry plantations that have been established by growers. These plantations all make use of species of trees that come from other parts of the world, that is, they are not indigenous. Pines, which come from Central America and eucalypts and wattle (*Acacia meansii*) which come from Australia form the basis of the commercial forestry sector and produce a range of wood-based products.
3. Primary processing facilities such as sawmills, pulpmills and pole preservation plants
4. Secondary processing facilities such as furniture factories, paper making plants and such like.

Indigenous forests have relatively little commercial value although they are extremely important for the provision of ecosystem services which are becoming increasingly recognised for their contribution to local economies. Indigenous forests capture carbon dioxide (a greenhouse gas), regulate stream flow, conserve biodiversity and provide an environment for outdoor recreation. The indigenous forests are also the source of a range of important medicinal products that are sought after and widely used by many local people to treat common health ailments. Although the trade in medicinal plants is a multi-million rand industry and there are many gatherers who depend on the natural forests and surrounding grasslands as a source of medicinal products, opportunities for expanding the non-timber forest product (NTFP) sector are constrained by the limited extent of the natural forest areas. It is for this reason that this strategy document focuses almost exclusively on the forestry plantations and associated processing opportunities.

The forest sector value chain associated with forestry plantations is shown in 0. The many uses and products that are derived from the trees grown in forest plantations are shown.

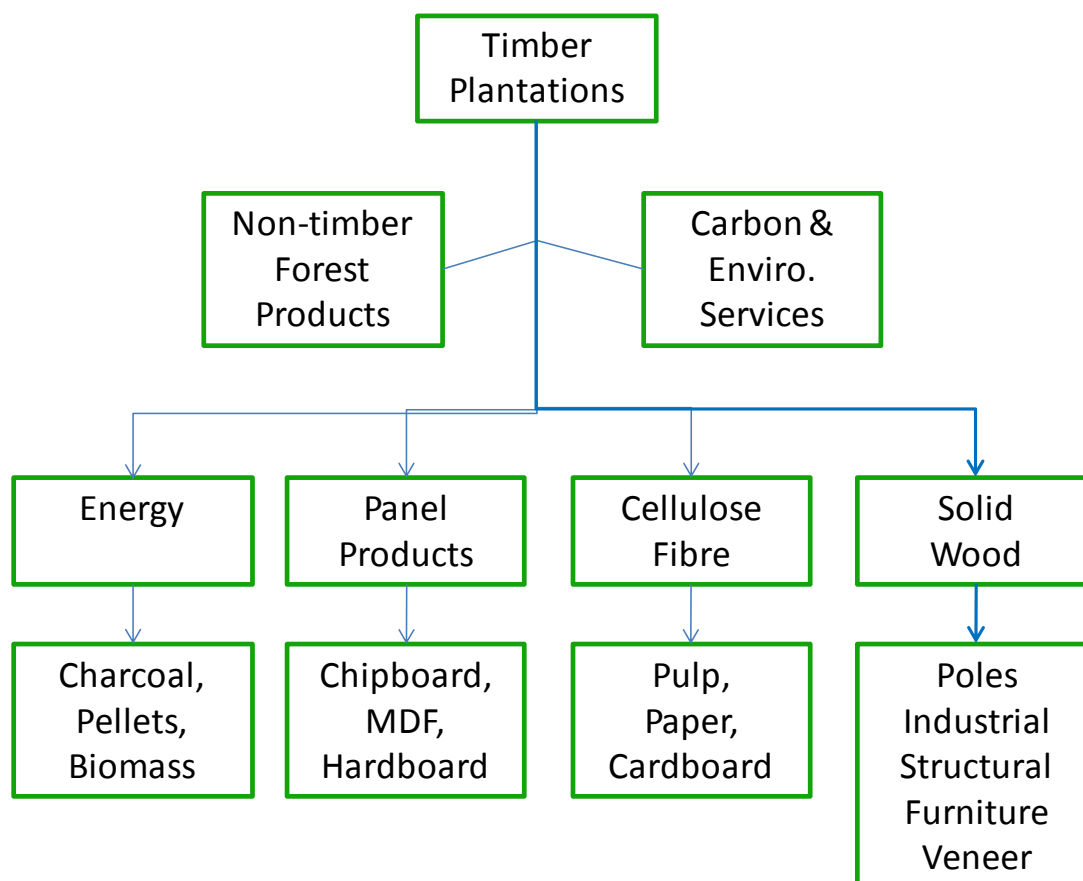


Figure 3.1. Timber value chain

As indicated in Figure 1, logs produced from trees grown in plantations can be used for a wide range of products including the following:

- (a) Raw material for energy production including charcoal, fuel pellets, biomass from plantation and processing residues
- (b) Panel products such as chipboard, medium-density fibreboard (MDF) hardboard plywood made from veneers¹³
- (c) Cellulose fibre which is used to make pulp card board paper, including newsprint and office paper
- (d) Solid wood products which includes veneer for plywood and furniture planks for building construction and furniture laminated¹⁴ beams and boards for construction and furniture poles for building and fencing and for telephone and electricity transmission lines.

¹³ Logs are peeled or sliced to produce thin sheets of wood which can be laminated to make plywood or glued to planks to improve the appearance of the wood

3.3. The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Forest Sector

3.3.1. Forestry Companies and other Growers

The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY forest sector is dominated by large national or multi-national forestry corporations that are vertically integrated owning both plantations and processing plants. To date, much of the timber grown in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY has been processed outside the area by these companies who all have their processing facilities outside other DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM area. The following companies dominate the forest sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY:

(i) Mond-Shanduka

Some years ago, Mondi Ltd entered into an agreement with the Shanduka group of companies owned by Mr Cyril Ramaphosa, whereby the latter purchased a share of Mondi's paper making plant at Merebank, south of Durban. As part of the deal, the pine plantations owned by Mondi in the KZN Midlands were transferred to the new entity and current managing company known as Mond-Shanduka. These included the plantations in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY area. The pine plantations have been grown for pulpwood which is predominately used to make newsprint paper in the Merebank mill. Pine pulpwood plantations are not thinned and only given a low pruning to facilitate access for fire protection. The plantations are harvested at approximately 16 years of age. Mondi own approximately 20 000 ha of land in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY area which supports about 8 000 ha of plantations.

When available Mond-Shanduka sells butt logs from the lower part of the pine tree stem to local sawmillers. In general there is a shortage of pine that can be used for sawtimber and the demand is likely to increase without a corresponding increase in the supply.

Due to the increase in the cost of processing the pulpwood in the Merebank Mill associated with the recent increases in the cost of electricity, and the incidence of Sirex wasp damage in their pine compartments, there are indications that Mondi may convert their pine plantations to eucalyptus. This will further reduce the supply of pine timber to local sawmilling enterprises.

¹⁴ Small pieces of wood are glued together to form beams and wide boards

(ii) Sappi

In addition to owning approximately 11 000 ha of their own plantations on a landholding of almost 24 000ha, Sappi has also entered into long-term supply agreements and/or leases with most of the medium scale growers in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM. Sappi have a preference for eucalyptus pulpwood for their Saiccor processing plant located south of Durban and have in recent years, wherever possible, been converting areas under pines to eucalyptus. Sappi also has a number of swap arrangements with growers whereby pine is exchanged for eucalyptus pulpwood as pine is sought after for local processing.

(iii) Singisi Forest Products - Merensky

Singisi Forest Products (SFP) entered into a long-term lease with the State for approximately 4 000 ha of pine plantations on a landholding of about 10 000 ha.. The majority shareholder in SFP is Merensky Pty Ltd, a large forestry company with sawmills and other timber processing facilities at Harding, Kokstad, Umtata and in Mpumalanga. The company focusses on the production of sawn timber and veneer using mainly pines but also saws eucalyptus in its Mpumalanga processing plants. SFP is the largest producer of sawtimber in KZN.

The rotation length for pines grown for sawtimber is approximately 25 years with the plantations being subject to two or three thinnings and a number of prunings to optimise the production of knot-free, structural timber.

(iv) PG Bison – Weatherboard

Some years ago PG Bison, the large board manufacturing company owned by the multi-national forest products company Steinhoff, purchased the interests of the Moxwood group, which included about 1500 ha of pine plantations on a landholding of 2 000 ha and two sawmills, namely the Weatherboard mill near Creighton and the Malenge mill at Riverside. Due to a shortage of timber, the Malenge sawmill was closed and the log supply directed to the Weatherboard mill which is dependant on timber supplies from its own limited plantations and from pine owned by Mondi and Sappi.

(v) Medium-scale growers

There are a number of medium-scale growers, essentially farmers who have established timber plantations as a diversification of their farming and/or business interests. These growers have focussed

almost exclusively on eucalytus for pulpwood and poles, and on wattle (*A meansii*) for the production of pulpwood and bark for the tannin extract industry. A few individuals have also planted pine. The total area associated with this grower group in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is estimated to be of the order of 1 500 ha with individual growers owning between 15 and 400 ha of timber plantations.

(vi) Small-scale growers

There are no formal small-scale growers within DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM. There are patches of wattle within the areas under communal land tenure but none of these are actively managed for forest products, although they are an important source of fuelwood.

3.3.2. Forestry Contractors

There are a number of forestry contractors operating in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY area. The larger forestry companies have contracted out the bulk of their forestry operations, both silviculture and harvesting, to a variety of contracting enterprises ranging from small-scale, almost informal contractors to sophisticated large-scale enterprises employing many hundreds of people. In many instances these contractors are entirely dependent on their contracting activities for their livelihood.

3.3.3. Timber Processing Facilities and Products

Due to the dominance of the larger forestry companies that have their processing facilities outside of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM, there is limited local processing of forest products. The following sawmills are located in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, all of whom use pine logs as their raw material. Summarised detail is shown below:

(i) Weatherboard – PG Bison

The Weatherboard sawmill is located along the road some 15 km from Creighton and is owned by PG Bison, the large board manufacturing company. The mill has an intake capacity of 90 000 m³/year of logs and produces mainly structural timber and some industrial timber grades for pallet manufacturing. The annual intake capacity of the mill would require the yield associated with between 250 to 300 ha of mature timber each year, which is far more than the company's own plantations could support and thus the mill draws timber from Sappi and Mondi.

(ii) Patula Products

The Patula Products sawmill is privately owned by the Anderson family and forms part of the farming enterprise. The mill has a capacity of about 20 000 to 25 000 m³/year of pine logs and produces mainly pallet material and some structural timber. Timber is sourced primarily from plantations on the farm although additional supplies are also bought in when available. The capacity of the mill is equivalent to the yield from 80 to 90 ha of mature pine plantation.

(iii) Plaisance Farming

The sawmill is owned and operated by Bradley James and is located about 3 km outside Bulwer on the Underberg road. It has an annual intake capacity of 20 000 m³/year of pine logs and produces mainly pallet material. Waste wood and sawdust is supplied to the Biotech fuel pellet plant at Howick. The annual capacity of the mill is equivalent to the yield from 60 to 70 ha of mature pine plantation although much of the timber is from thinnings, purchased from private growers in the greater Bulwer/Underberg area.

(iv) Biocarbon Products

The Biocarbon Products sawmill is located close to Bulwer Station and is privately owned by the Andrews family. It has an annual intake capacity of 12 000 m³/year of pine logs and produces industrial timber for pallets. Waste wood and sawdust is supplied to the Biotech fuel pellet plant at Howick. The annual capacity of the mill is equivalent to the yield from 40 ha of mature pine plantation although most of the timber is sourced from thinnings and waste wood left over after clearfelling in the SFP and Mondi plantations.

Table 3.1. Local Sawmills in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Local Municipality

Sawmill	Weatherboard Sawmill	Patula Products Sawmill	Plaisance Farming	Biocarbon Products
Contact Person	Dave Wyrley-Birch	Charles Anderson	Bradly James	Harry Andrews
Road Distance from Donnybrook	23	14	25	18
Distance Rail Siding (Km)	NA	14	8	1
Name / Location of Rail Siding	Donnybrook	Donnybrook	Bulwer Station	Bulwer Station
Type of Timber being Sawn	Pine	Pine	Pine	Pine
Primary Source of Timber	SFP & own	Own	Private Growers	SAPPI MONDI & SFP
Volume of Roundwood Intake	90 000m ³ /year	2000 m ³ /month	1000m ³ - 1800m ³ per month	1000t -1500t per month
Main Products Produced	Pallets & Structural	Pallets & Structural	Pallets	Pallets 67

(v) Fuelwood

Although there are no formal statistics regarding the utilisation of fuelwood, many local community members are dependent on fuelwood for heating and cooking. Most of this wood is collected by women and sourced from the plantations after the utilisable forestry companies have extracted the utilisable timber from the harvested compartments. Fuelwood is typically offered free-of-charge for own-use. There are also a number of harvesting contractors that collect waste timber and sell this to community members, providing largely a transport service. Although wattle is the preferred fuelwood, eucalyptus and pine are also utilised.

3.3.4. Contribution to the Local Economy

No official economic statistics are available on the forestry sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and the following information has been drawn from provincial statistics and proportioned according to the plantation area in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM and personal communication with the sawmill managers.

(i) Employment

It is estimated, based on the average employment in the various types of plantations in KZN, that the number of people employed in the plantations in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY is of the order of 1 170 with a further 200 employed in the sawmills. This amounts to a total of 1370 employees in the forest sector. This estimate includes contractors and temporary workers. 0 provides further details on the employment in the plantations.

Table 3.2. Estimated employment in the timber plantations in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Plantation Type	Average Employees	Area in Ingwe	Employees in the forestry sector
Genus	per 1000 ha	ha	Number
Pine	34.2	14000	480
Eucalypt	60.0	11000	660
Wattle	90.5	300	30
TOTALS		25300	1170

Source: Forestry SA, 2011

(ii) Contribution to Gross Geographic Product

It is estimated, based on the area of the plantations and the output of the sawmills that the forest sector in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY has an annual turnover of approximately R318 million, two thirds of which is associated with the plantations and the balance with the sawmills. The tables below provide further details of how the estimate has been calculated.

Table 3.3. GGP associated with the plantations in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Ingwe Plantation Area	Annual Value/ha	Contribution to GGP
ha	R/ha	R
25300	R 8 500	R 215 050 000

Table 3.4. GGP associated with the sawmills in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Sawmill	Annual Intake logs	Recovery	Annual Output Planks	Unit Value	Annual Value
	m3/year	%	m3/year	R/m3	R
Weatherboard	90000	43%	38700	R 1 800	R 69 660 000
Patula Products	25000	40%	10000	R 1 600	R 16 000 000
Plaisance Farming	20000	45%	9000	R 1 500	R 13 500 000
Biocarbon Products	12000	40%	4800	R 800	R 3 840 000
TOTAL	147000	42%	62500	R 1 425	R 103 000 000

As most of plantations and Weatherboard sawmill are largely owned by national, in the case of Singisi Forest Products and international companies in the case of the others, it is not clear what percentage of the annual turnover from the sector actually returns to DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM. It is however estimated that about 30 to 35% is associated with staffing costs and thus the forest sector makes a direct contribution to the area of approximately R100 to R110 million a year.

3.4. Forestry Development Policies

The commercial forest sector has received much attention from government in recent years as it is considered to offer an efficient vehicle for local economic development for the following reasons:

1. It is based on plantations and enterprises in the rural areas where the opportunities for economic development are limited
2. The growing, harvesting and primary processing of forest products is relatively labour intensive with relatively low levels of mechanization.
3. The barriers to entering the sector, especially small-scale woodlot forestry, are very low, making it possible for previously disadvantaged people to participate in the sector

The result of governments focused attention on the forest sector has been a proliferation of legislation and policy, the most relevant being discussed below. One of the most significant blockages to the expansion of forest plantations has been the long delays in granting licenses for new afforestation. Considerable progress has been made towards addressing the backlog of license applications and in recent months an encouraging number of licenses have been issued.

3.4.1. Legislative environment

Plantation forestry is governed by the National Forest Act (NFA, 84 of 1998) which seeks to promote and regulate sustainable forest management. However, being a country of limited water resources, Government has for many years regulated the establishment of timber plantations, primarily because the trees tend to use more water than the natural vegetation that they replace. Initially, plantation development was regulated by the Forest Acts of the time but from 1998, the primary regulation of new plantations has fallen under the National Water Act (NWA, Act 36 of 1998) with a number of other laws also containing clauses aimed at regulating the establishment of new plantations. The following laws

are the most important in terms of the various authorisations required for the establishment of new forestry plantations and their ongoing management.

(i) The National Forest Act (Act 84 of 1998)

The National Forest Act (NFA) regulates forest management and is applicable to all types of forest, namely plantations, natural forests and woodlands. The Act also seeks to promote sustainable forest management through the application of a set of principles, criteria, indicators and standards that should be followed by all in the forest industry. In addition, NFA makes special provision for the establishment of a Community Forestry Agreement, whereby government can formally offer support, including financial support to communities wishing to engage in forestry.

(ii) National Veld and Forest Fire Act (101 of 1998)

The National Veld and Forest Fire Act seeks to regulate and control the spread of fire damage to all forms of land use but in particular forests and grazing lands. A key aspect of the Act is the provision for the establishment of Fire Protection Associations and the regional formalisation of fire control.

The NVFFA is intended to support Integrated Fire Management, which results in the integration of a number of activities to allow effective management of fires, both to enhance their positive benefits and to reduce negative impacts including the following:

- (a) Prescribed burning;
- (b) Wildfire control;
- (d) Risk minimization;
- (e) Training and awareness;
- (f) Resource management and co-ordination; and
- (g) Ecosystem management.

Integrated fire management is also supported by various pieces of legislation providing the framework for cooperative governance and integration of this function: (DAFF, 2009a)

- (a) Disaster Management Act, 2002 (Act No 57 of 2002)
- (b) Conservation of Agricultural Resources Act, 1983 (Act No 43 of 1983)

(c) Municipal Systems Act, 2002 (Act No 32 of 2002)

(d) Fire Brigade Services Act, 1987 (Act No of 1987)

(iii) The National Water Act (Act 36 of 1998)

Section 36 (1) of the NWA declares that “the use of land for afforestation which has been or is being established for commercial purposes” is a stream flow reduction activity (SFRA). At this stage only forestry plantations have been declared a SFRA. The Act does also make provision for other land uses to be declared SFRA’s, but to date, no others have actually been declared.

(iv) The National Environmental Management Act (Act 107 of 1998)

The National Environmental Management Act (NEMA) provides the overarching legislative framework for environmental governance in South Africa. The point of departure of NEMA is a set of National Environmental Management Principles that inform any subsequent environmental legislation, guides environmental impact assessment (EIA) and the subsequent development and implementation of environmental management plans.

Environmental authorisation is required where a change of land use is likely to lead to some potential impact on the environment. Certain activities, including new afforestation, the establishment of wood processing plants and the disposal of waste have been listed as requiring an EIA before being undertaken. The list of activities, the procedures to be followed and the level of detail of such EIAs, is spelled out in the EIA regulations GNR385, GNR386 and GNR387, promulgated in 2006 under various sections of NEMA.

(v) The Conservation of Agricultural Resources Act (Act 43 of 1983)

The Conservation of Agricultural Resources Act (CARA) specifically requires that approval is obtained for the following activities relevant to the establishment of new forestry plantations

The cultivation of land not previously cultivated or disturbed - the so called “breaking of virgin ground”. As the areas contemplated have been disturbed by the mining process this authorization will not be required.

The cultivation of Category 2 invader plants. All the exotic species typically used for commercial forestry plantations, including the pines, eucalypts and wattles are all classified as Category 2 invader

plants in terms of CARA. and as such, authorization from the agricultural authorities is required to cultivate these. However, CARA waives this requirement for agricultural permission where an SFRA license is obtained. In practice, the application for an SFRA is considered by both the agricultural and water authorities and consequential approvals are granted or withheld.

3.4.2. National and Provincial Policy environment

There are number of documents in circulation that indicate what government policies are or should be for the forest industry and these are discussed below. Technically, government policies require formal ratification before they can be considered to be “official policy” and some of these documents have as yet not been formally ratified. However, these documents provide useful insight into government’s view of the role that the forest industry can play in economic development.

(i) Forestry 2030 roadmap (DAFF, 2009a)

The Forestry 20230 Roadmap document is considered to be a living document, which will be periodically reviewed when significant success has been made in achieving the key milestones outlined in the document or upon request by stakeholders. The document contains a useful list of the legislative and policy environment of the forest industry and outlines a number of challenges facing the industry. These are the following:

- Land Reform including Post Settlement Support to Communities and transfer of state controlled forestry assets to communities
- Raising the Profile of the Forestry Sector
- Reducing the shortage of timber in the country, particularly for softwood sawtimber
- Access to funding for new afforestation
- Skills shortage in the forestry sector
- Increased funding for research and development
- Climate change and the associated impacts
- Protection of the biodiversity of natural forests and woodlands
- The forestry regulatory environment especially for SMMEs

- Monitoring and evaluation of the industry
- The Roadmap provides a set of strategic objectives that the forestry section of DAFF will attempt to achieve, these being the following:

SO 1 Facilitate improved timber availability and secure supply of timber to ensure sustainability of entire timber value chain;

SO 2 Increase the contribution of all types of forests and related goods and services to the quality of life of South Africans with particular focus on rural and disadvantaged communities;

SO 3 Promote conservation of forest biological diversity, ecosystems and habitats, while promoting the fair and equitable distribution of their economic, social, health and environmental benefits;

SO 4 Facilitate skills development, awareness raising and information sharing with a view to enhance the profile of forestry as a sector;

SO 5 Implement innovative ways to enhance and streamline the regulatory environment to assist the sector to be compliant while reaching its potential in terms of sustainable development;

SO 6 Create enabling institutional and financial arrangements for sustainable forest management;

SO 7 Maintain the South African forest sector as a knowledge-based enterprise, adept to addressing constraints to growth in the sector and managing the risks to growth;

SO 8 Strengthen international and regional partnership in order to enhance sustainable forest management.

(ii) The Forestry Charter

DAFF, in collaboration with the forest industry represented by Forestry South Africa (FSA) has developed a Forest Sector Charter aimed at promoting Broad-based, Black Economic Empowerment and transformation in the forest industry. The Charter was signed on 22 May 2008 in Cape Town. It is the major and most important instrument for development within forestry in the medium term.

This Charter applies to all enterprises involved with commercial forestry and primary processing of wood products and includes the following industry players: (DAFF, 2009a)

- Growers plantations, nurseries and indigenous forests
- Forestry contractors in silviculture, harvesting, fire-fighting services and other forestry contracting services that are not covered by their own Sector Charters
- Sawmilling
- Fibre sub-sector including pulp, paper, paperboard, timber board-product, woodchip and wattle bark extract production
- Pole treatment plants
- Charcoal producers

In general, the Charter incorporates BEE transformation targets for enterprises within the sector, in order to strengthen the positive role of the sector in contributing to economic growth and employment creation and in supporting rural and local development. The Forestry B-BBEE Charter has identified specific challenges that need to be addressed to ensure equity and growth in the forest sector. These include, among others, the following:

- Increased local supply of round wood to underpin sustainability throughout the forestry value chain;
- Sustainable supply and better utilization of the country's limited sawlog resources;
- Increased local beneficiation of wood fibre;
- Greater equity in the entire forest industry value chain;
- Greater empowerment and profitability of existing small scale forest enterprises; and
- Linking forestry as a rural-based industry with poverty eradication and local economic development.
- The Forestry Charter is particularly relevant to the forestry related LED strategy in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY.

(iii) Integrated small enterprise development strategy for the forest sector in South Africa (Teba, 2010)

The report provides a comprehensive overview of the policy and legislative environment relating to SMMEs in the forestry sector. Key points noted in the report are as follows:

- The forest sector still shows characteristics of pre-1984 planning
- There is a high concentration of capital intensive industries that are globally competitive
- The forest sector contributes to the livelihoods of thousands of people operating as SMMEs in the 2nd economy
- Forest sector SMMEs are showing signs of stress and decline

The strategy highlights the need for a large-scale and coordinated intervention by a number of government departments (led by DAFF and DTI) as substantial funding will be required for the following:

- To bring stability and sustainability to existing (struggling) SMME's in the forest sector
- To grow the SMME sector so as to ensure that black people are brought into the mainstream forest sector economy. .
- The following are identified as specific aspects that should be funded:
- Matching grants to provincial spending on the establishment of forestry projects (up to the point where a project can secure business finance)
- Once-off forestry grants for afforestation projects to match loan funding provided by Development Finance Institutions
- Matching grants to industry spending on SMME training (accredited short courses, learnerships and bursaries).
- Matching grants to grower cooperatives' spending on forestry extension services
- Once-off grants (seed capital) for the establishment of a fire insurance scheme for emerging growers
- Additional funding for the rehabilitation and transfer of DAFF plantations
- LED grants for NTFP projects

The strategy proposes that DTI, together with the DTI group of institutions such as SEDA and KULA, takes responsibility for a range of support services required by SMME's in the forestry processing sectors. These include the following:

- Business advice and planning services to be provided by SEDA
- Management support and mentorship services to be provided by SEDA
- Small business loans to be provide by Samaf and Khula intermediaries
- Incubator programme for small sawmillers and pole producers to be established through the SEDA Technology Programme
- Grant funding for cooperative forest enterprises under the Co-operative Incentive Scheme
- Matching grant to industry spending on SMME training (accredited short courses, learnerships and bursaries).

(iv) Accelerated Shared Growth Initiative for South Africa

According to the media briefing presented by the then Deputy-President of South Africa, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) is the instrument of development policy that aims to address the core objective of Government, i.e. to halve poverty and unemployment by 2014. The policy stressed the need for the intervention to be shared, that is a joint effort by government, the private sector and the citizens of the country to promote economic development. The objectives of the ASGISA project have been taken up in the Industrial Policy Action Plan (IPAP) (DTI, 2007)

(v) Industrial Policy Action Plan

The Industrial Policy Action Plan (IPAP) (DTI, 2010) emanating from the National Industrial Policy Framework (NIPF) and developed in support of ASGISA, identifies the forestry, pulp, paper and furniture sector as growth sectors of the economy and in so doing proposes that special attention be given to their development.

The IPAP provides for a sector growth strategy and action plan for the forestry, pulp, paper and furniture sectors in which the DTI and DAFF must jointly take the lead. In terms of actions to be taken, the IPAP text states that “in order to realise growth in this sector, government has committed itself to:

- Expediting the afforestation licensing process;
- The confirmation of land rights for land holding communities;
- Technical and financial support to emerging small growers; and
- Improvements to transport infrastructure.”

Key action plans have been developed to give effect to the above. It is important to note that the sector growth strategy and action plan covered in the IPAP is closely linked to the Transformation Charter for black economic empowerment in the forest sector.

(vi) The Provincial Spatial Economic Development Strategy

The Provincial Spatial Economic Development Strategy (PSEDS) was initiated by the KwaZulu-Natal economic cluster to guide service delivery within government in order to achieve the goals set out in ASGISA initiative. The PSEDS aims to address the economic challenges the province is facing and advance economic development throughout the province. The three paramount objectives of the PSEDS are as follows:

- To focus government development and investment initiatives,
- To capitalise on complementary interventions
- To facilitate consistent and focused decision making and bring about strategic coordination, interaction and alignment.

The PSEDS did make budgetary provision in 2006/6 and 2007/8 for the establishment of a wood and wood products cluster in KZN. It is not clear whether this was successfully carried out and it appears that the PSEDS did not focus on the forest industry in any detail. (KZNDED, 2009). However there seems to be a renewed interest in supporting the forestry sector as discussed below.

(vi) Agribusiness, Forestry, Pulp And Paper, Furniture “Think Tank Session”

The Department of Economic Development and Tourism (DEDT) hosted an Industrial Conference on 6th and 7th August 2009 in Durban themed “Roadmap to Economic Recovery”. The emphasis of the

conference was to develop strategies to resuscitate the ailing KZN economy by selecting key economic sectors that have the potential of uplifting the economy in the province. Amongst other prioritised sectors in KZN were agribusiness and forestry, wood and wood products, pulp and paper.

The objectives of the intervention are the following:

- a) Develop integrated turn around strategies to salvage the identified sectors from the current economic crisis.
- b) Develop strategies to minimise job losses resulting from the impact of the economic down turn.

The resolutions of the industrial conference as they relate to the forest industry in the province were the following:

- i. Provide comprehensive services and support to small and medium forest enterprises (SMFE)
- ii. Enhance and develop an integrated and multi-purpose infrastructure, e.g. roads, rails, telecommunication, that internalises agricultural and forest sectors needs in rural areas.
- iii. Accelerate necessary authorisations including afforestation licensing
- iv. Devise community and forest enterprise awareness programmes to mobilise for, and create demand for opportunities and available support services.
- v. Explore niche investment opportunities and mechanisms through the forestry value chain including:
- vi. Existing and new afforestation programmes to revitalise and/or rehabilitate the State's assets including the Department of Agriculture, Forestry and Fisheries (DAFF) category B and C plantations, and new plantations to upscale and create productivity and job creation, respectively, particularly for SMFE;
- vii. Consider alternative value addition niche projects such as biomass for energy and furniture manufacturing.
- viii. Establish institutional organisations and arrangements to provide a platform for cooperation amongst government authorities and the private sector.
- ix. Devise and provide post land settlement support efficiently to sustain functionality and operations at optimum levels, including the coordination of government authorities.

- x. Enhance and create bilateral cooperation on trade, learning exchange and skills transfer, research and development, and legislative frameworks.
- xi. Expedite land restitution as a matter of urgency
- xii. Reduce cost of doing business

3.5. DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY

Forest Sector Strategy

The substantial policy support for development of the national and provincial forest sector has provided direction for the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Forest Sector Strategy.

3.5.1. Objectives

The objectives of the forestry sector strategy for DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM are the following;

1. Increase the forestry resource base in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY through the establishment of new forestry plantations and the improvement of yields from the existing plantations
2. Increase the participation of previously disadvantaged individuals and communities in the forestry sector and thereby enhance the balance and diversity of participants in order to ensure the robust sustainability and growth of the sector
3. Increase employment and business opportunities in the local forestry sector for all the inhabitants of the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY
4. Optimise local value addition to the forestry resources in order to maximise the contribution of the sector to local economic development
5. Guide and link the forestry ventures in the municipal and adjoining areas to capitalise on economies of scale, complementary processing and the utilisation of waste and shared marketing initiatives.

3.5.2. Forest Sector Development Initiatives

It is proposed that following initiatives are undertaken to increase the size of the plantation resource base and to increase local value-adding initiatives.

(i) New Afforestation

The extent of new afforestation in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY area is limited by the availability of water, the area being split between the Mkomazi and Mzimkhulu catchments, both of which are already fully subscribed in terms of forestry plantations. However, the Department of Water Affairs has indicated that a special allowance has been created for new afforestation by emerging black growers and for this purpose there is currently 350 ha available in the Mkomazi catchment and 500 ha in the Mzimkhulu catchment. In the Mzimkhulu catchment, each applicant is limited to a maximum of 10 ha. (*Pers. comm. Chris Darval, Department of Water Affairs, June 2011*) The eastern part of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY falls within the Mkomazi catchment and the western part in the Mzimkhulu catchment with the watershed being approximately along the ridge on which the main road between Ixopo Donnybrook is located.

The Department of Water Affairs also has a policy whereby new afforestation can be undertaken in exchange, on a hectare for hectare basis, for the removal of alien weeds such as jungle wattle, which thus offers further opportunities, as there are a number of areas where wattle could be removed from the stream areas and the equivalent area established to fast growing woodlots.

Investment returns and cash flow requirements favour the establishment of short rotation (8 – 10 years) hardwoods such as eucalyptus and wattle with very few emerging growers wishing to undertake the growing of long rotation (25 years) pine sawtimber even though the latter offers far greater opportunity for local value addition. Poles are one product from eucalyptus plantations that offer local value-adding opportunities, although only about 30% of the trees in a typical compartment are sufficiently straight to meet the pole specifications and the balance is sold as pulpwood. There are a number of community-based new afforestation projects that are in the planning phase and should be promoted:

The Kilmon community area is located in the south western part of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY and falls within the Mzimkhulu catchment in which there are still 500 ha available for new afforestation. The gross area identified for new afforestation at Kilmon is approximately 770 ha. Considering that an effective planting area of some 50% could be expected amounting to some 385 ha,

the Kilmon area has the potential to take up a substantial portion of the 500 ha allocated to new afforestation in the Mzimkhulu catchment. It is unlikely that the authorities would allocate such a large proportion to a single community and Kilmon could expect to receive authorisation for an estimated 200 ha. Individual community members would each have to apply for 10 ha according to the conditions set out by the Department of Water Affairs . It is estimated that approximately 800 people would benefit from the development. A forestry steering committee has been elected by the community and Rural Forest Management, a local forestry facilitation company has been appointed to assist the community with the development. The Industrial Development Corporation (IDC) has indicated an interest in financing the development planning and the implementation of the project should the business analysis indicate that the project is viable.

The Sandanezwe community, located on the eastern side of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, has identified 4 separate blocks of land totalling a gross area of 560 ha. (Being within the Umkomaas catchment, where there is limited SFRA licence allocation available.) It is understood that there are also other communities within this catchment, but outside of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY, that are also seeking approval for new afforestation.

The Sandanezwe Project is on the allocation list for the Umkomaas catchment for 405ha.

It is estimated that approximately 1000 people could benefit from this afforestation project. A forestry steering committee has been elected by the community and Rural Forest Management has been appointed to assist the community with the development. The IDC has indicated an interest in financing the development planning and the implementation of the project should the business analysis indicate that the project is viable.

The extent and location of the wattle jungle areas is not known and it is proposed that an assessment is undertaken to identify those areas with potential for exchange for new afforestation. There are a number of entities that could be contacted to assist with the financing of the clearing operations, including among other the following:

- The Community Works Programme administered by Teba Consulting in Johannesburg
- The Expanded Public Works Programme administered by the Independent Development Trust (IDT)
- The Land Care programme of the Department of Agriculture, Forestry and Fisheries (DAFF)
- Working for Water and/or Working for Forestry programmes of the DAFF

- The Employment Creation Fund administered by the Development Bank of SA (DBSA) and the Department of Trade and Industry (DTI)

(ii) Mondi Exchange Opportunity

Recent large increases in the cost of electricity will reduce the profitability of wood pulp production at Mondi's Merebank mill and there are indications that Mondi may want to convert their pine plantations to eucalypt plantations. However, Mondi management have indicated that they would be interested in entering into an exchange arrangement with local growers whereby they acquired eucalyptus logs in exchange for pine logs. This would allow growers to produce eucalyptus logs with their associated cash flow benefits while offering a source of pine logs to local sawmillers and other value adding opportunities. Mondi would then not need to convert their pine plantations to eucalyptus, the local forest sector would have access to pine logs for value adding actions and emerging growers could participate in the sector growing a crop that meets their return and cash flow needs.

It would also be beneficial to convert the pine plantations that are currently grown on a pulpwood management regime to a sawtimber regime which would require increasing the rotation age, thinning and additional pruning of the trees to maximise sawlog production.

(iii) Donnybrook Timber Hub

The development of a timber processing hub centrally located at Donnybrook would allow a significant volume of timber to be processed locally, with the consequent benefits of creating much needed employment and reducing poverty. The map shown in 0 below indicates the plantation areas in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Municipality and the ideal position of Donnybrook as the location for a timber processing hub - Donnybrook being centrally located and well serviced by both road and rail infra-structure.

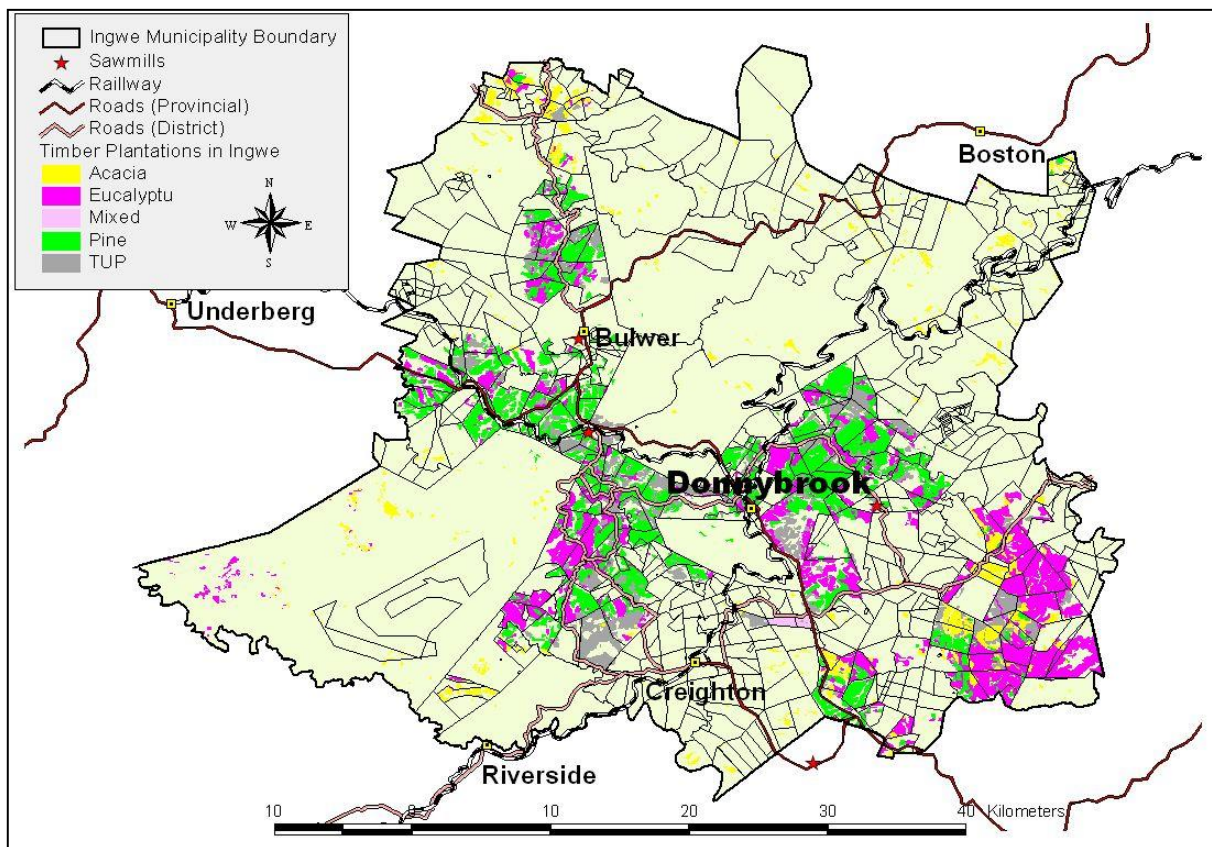


Figure 3.1. Map showing the location of Donnybrook hub relative to the plantations and transport infrastructure

Patula Products under the management of Charles Anderson, has expressed an interest in establishing a sawmill with an annual intake capacity of 30 000 m³ of pine logs. The sawmill will create 60 to 80 new employment opportunities and will include the following components:

- a) A log debarker and compost manufacturing facility
- b) A log sorting yard
- c) A wet mill with two saw lines to accommodate both large and small logs
- d) Drying kilns and associated boiler that uses waste timber for fuel
- e) Dry mill for the production of value-added timber products such as tongue-and-groove panelling, pallets, shelving, etc

Treated Timber Products, an established pole treatment enterprise, have identified a need to prepare and process eucalyptus timber poles in the area. The company would like to set up a drying yard and a pressure treatment cylinder for the production of the full range of poles including building and fencing, telephone and transmission poles. It is envisaged that the plant will have an intake capacity of 20 000 tons/year of eucalyptus timber and will provide 10 new jobs.

Biotech Industries, a company that has an established fuel pellet plant at Howick would like to capitalise on the logistical advantages of having a processing plant at Donnybrook, a location close to the source of post-harvesting plantation residues and waste from sawmills – these being the feedstock for the fuel pellet manufacturing process. The company will draw feedstock from all the plantations in the area. Although the plant will be highly mechanised, the collection of the harvesting residues and sawmill waste will create approximately 150 jobs for local people. The plant will require about 100 000 tons/year of feedstock. Consideration would also be given to establishing a combined heat and power (CHP) plant that will have a net output of approximately 5 Megawatts of electricity.

A summary of the characteristics of the proposed processing plants to be established in the timber hub are provided in the Table below.

Table 3.5. Summary the proposed processing facilities for the Donnybrook Timber Hub

Processing Plant	Intake Capacity	Area of site	Estimated Capital Investment	No of Jobs that will be created
	tons of timber/year	ha	Millions of Rands	Permanent Employees
Sawmill	30 000	2	R6 million	70
Pole Treating Plant	20 000	3	R 3 million	10
Fuel Pellet Mill & Power Plant	100 000	5	R100 million	150
TOTAL	150 000	10	R109 million	230

The primary advantages of establishing a timber processing hub are the following:

- i. Economies of scale can be collectively reached that are beyond the capacity of any one processing plant. The conversion of biomass to power is one such aspect that is sensitive to

scale and it is envisaged that the combined waste biomass output from all the proposed processing plants would provide sufficient fuel to power a 5 Megawatt electricity generator. Heat from the CHP plant could be used to dry timber and/or heat creosote for the treatment plant.

- ii. It is possible, due to the close proximity of the plants, to integrate their production chains very efficiently. For example, close to maximum utilisation of logs can be achieved as the entire tree can be optimally allocated to a conversion process. Larger, high quality logs can be allocated to the sawmill, while smaller less straight logs and branches can go to the biomass plant. Waste from the sawmill and pole plant could be utilised in the fuel pellet mill. Structural timber from the sawmill can be treated in the same cylinder used to treat poles thereby relieving the sawmill from establishing a facility that is likely to be somewhat underutilised at the sawmill alone.
- iii. Log merchandising yards, off-loading and loading equipment, warehousing, and a weigh bridge are some of the facilities that could be shared by the participants of the hub. This is likely to reduce the unit cost of production these facilities to the individual participants thereby offering them competitive advantage.

(iv) DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Forestry Forum

It is proposed that consideration be given to establishing a forestry liaison forum with the specific objective of improving dialog and encouraging alignment among the various forest sector stakeholders in DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM. In many instances much of the information pertaining to the sector is pre-competitive and sharing has many benefits. Participation in the forum by representatives of all the companies and community groups that are active in the sector should be encouraged with the municipality taking a driving role to facilitate the establishment of the forum. Consideration could also be given to participation by representatives of organisations outside of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY that are actively promoting and supporting the forest sector among others;

- Forestry South Africa (FSA),
- The IDC,
- DBSA,
- Department of Economic Development and Tourism (DEDT),
- DAFF

3.6. The Role of DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Local Municipality

The DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY LM should play a strategic and supportive role in the local forestry sector. Specific actions and areas of focus include the following;

1. Provide support to local communities and enterprises to obtain authorisation for the establishment of new plantations. This could take the form of coordinating aggregate environmental and SFRA licence applications for groups of people and communities and lobbying political leaders for equitable access to provincial resources, particularly water.
2. Provide the public infrastructure that the forestry sector requires to be competitive. In particular the following;
 - a. construction and maintenance of roads,
 - b. establishment of industrial development zones that are adequately serviced with access roads, electricity, water and public housing for staff – the Donnybrook Timber Processing Hub is one such initiative that should be undertaken
 - c. Coordinated disaster management services, in particular the control of wild fires which represent one of the greatest threats to economically sustainable commercial forestry.
3. Coordinate the integration of forestry development initiatives in order to facilitate the alignment of complementary ventures and capitalise on economies of scale. In many instances this requires the sharing of information and the networking of individual communities and companies active, or proposing to become active, in the sector. The coordination of the establishment of the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY Forestry Forum is one such proposed intervention that should be undertaken in this regard.
4. Promote DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY as a forest sector development location and encourage government, growers, processors, investors and financial institutions to become active in the local forestry sector.

Chapter 4: Commerce and the Informal Sector

4.1. Introduction.

The towns of Underberg, Himeville, Donnybrook, Bulwer and Creighton are small local service and commercial centres in the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY area, with Creighton being the capital. These centres form the backbone of commercial activities within the municipality. They are externally linked with larger towns such as Pietermaritzburg and Ixopo both of which supplement the supply of goods and services required locally. Within the three towns, shrinking levels of formal employment over the last decade have seen a growth in the informal sector. Trading and transport have been the two sectors that have been targeted by emerging entrepreneurs.

Unfortunately, the close proximity of the three towns to Pietermaritzburg and Ixopo has limited their growth with the exception of Underberg who have a well-developed commercial economy. The growth of Creighton is further hampered by its location on a tertiary road that is not easily accessible to the entire municipal population. Bulwer and Donnybrook are better placed in that they are located on a secondary provincial road R617 that links DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY local municipality with all its neighbouring municipalities of Ubuhlebezwe, and Msunduzi.

Like many other growing urban centres, in the main, these three towns contribute the following:

(a) They function as markets for agricultural produce from the surrounding rural areas –through these centres local producers as well as consumers are able to access markets.

(b) They often play the role of production and distribution centre for goods and services to rural regions -Such concentration is assumed to reduce costs and improve access to a variety of services, both public and private and for both rural households and enterprises. Hence, services include agricultural extension, health and education (and access to other government services), as well as banking, post, services of professionals such as lawyers and accountants and lower order services such as bars and restaurants, and wholesale and retail sales of manufactured goods from within and outside the region.

(c) They are *centres for the growth and consolidation of rural non-farm activities and employment*- This is achieved through the development of small and medium-sized enterprises or through the relocation of branches of large private or parastatal enterprises.

(d) They attract *rural migrants* from the surrounding region through demand for nonfarm labour, and thereby decreasing pressure on the 'external' centres namely, Ixopo and Pietermaritzburg. They also ensure decreased density of rural areas within the municipal area.

The municipal spatial development framework identifies Creighton as the primary node in the municipality whereas Donnybrook and Bulwer are classified as secondary nodes.

4.2. Commercial activities in Underberg/Himeville

Donnybrook, Bulwer and Creighton.

4.2.1 Underberg

Underberg is a typical old-style South African farming town, with a mix of basic shops, pubs, dust roads and visiting farmers bustling about. Along the Himeville Road, two new malls are an indication of the town's recent expansion.

The oldest example of rock art featured on the wall of a rock shelter in the region dates back 2 400 years. Lying in the foothills of the mighty uKhahlamba-Drakensberg, a World Heritage Site, is a typical rural farm town where dusty roads, pristine mountain streams and enormous sandstone backdrops have sculpted the rustic haven that is Underberg.

Although relatively small, Underberg is always bustling with vehicles and locals stocking up on groceries and farm supplies. The town features a few grocery stores and general dealers, two small malls, hardware suppliers, a butchery, art and craft stores, a few restaurants, quaint pubs, clothing stores and a petrol station.

Splashy Fen

From its early beginnings back in 1990, Splashy Fen has evolved into one of South Africa's premier music festivals which nowadays see thousands of people making the annual pilgrimage to Underberg.

Key Issues for Status Quo

Improvement of Accessibility other than R617 (Road Conditions, Delivery etc.),

Provision of Water and Sanitation,

Facilities for a second order node (Hospital, Community Hall, Recreational Facilities)

Formal Taxi Rank,

Formal Trader Facilities,

Pedestrian Priority areas,
Residential Opportunities (Temporary, Government etc.),
Economic Support (Agricultural Support, Training etc.),
Large tracks of land for potential redevelopment,
Food Security and Agricultural Processing Opportunities,

4.2.2. Himeville

Himeville is a mainly residential town lying 8 kms North of Underberg.

Himeville Museum

Contact details

Telephone +27(0)33 702 1184

Physical address Arbuckle street, Main road, Himeville, 3256

4.2.3. Creighton

Creighton falls into the category of a commercial agricultural town. The town developed as a result of the need to service the white commercial farmers living in the broader area. The diversion of manufacturing and commercial functions to larger towns and cities since has however significantly reduced the role and activities of these towns.

Currently, Creighton accommodates Government services which include Local Municipal offices, Primary schools, an hospital in Centercow settlement, the South African Police Services (SAPS), an ambulance base and a Post Office. Commercial services are mainly dairy farming, Supermarket, and hotel.

(i) Competitive advantage:

Creighton is mainly a dairy farming hub. The presence of government services as well as commercial services such as a supermarket are potential catalysts of overall growth of the town. The existing cheese factory and the upcoming milk processing plant also present a unique opportunity to enhance dairy milk production.

(ii) Investment options

Creighton could be developed into a thriving milk production and processing hub mainly through the following initiatives:

- (a) Promotion of vocational training for dairy farmers in and around the town.
- (b) Provision of accommodation facilities would yield meaningful development of the industry.
- (c) Construction of low cost housing facilities, considering that the milk processing plant under construction is likely to attract labor force.

The above in perspective, it is important that a separate study be carried out on possible spin off projects which could emerge from a dairy hub. This would involve interviews with dairy farmers, and organizations as well other relevant stakeholders.

4.2.4. Donnybrook

Categorised as a secondary node by the municipal Spatial Development Framework, Donnybrook's economy consists of government services, commercial and retail services as well as residential housing units.

(i) Competitive advantage:

Currently, Donnybrook hosts few government services including the South African Police Services; the Magistrate Court and a post Office. Commercial and retail services thrive on an existing Spar shopping centre within which Bank Auto teller Machines (ATM's) operate. Other commercial services include hardware and furniture shops. Mainly, though, Donnybrook –as suggested in the forestry chapter- is a strategic town as Timber hub.

(ii) Investment opportunities

While the forestry chapter has underscored timber processing infrastructure in Donnybrook, few extension services are added here. These could include:

- (a) An informal trade centre – This could deal with retail of house furniture, as well as wood sculpture.
- (b) Upgrade of road and electrification of the area would also enhance the growth of the timber sector, in Donnybrook.
- (c) Low cost housing would go a long way in meeting potential demand for accommodation, as the hub develops to attract 'external' labourers.

(d) To enhance the growth of the town, construction of schools could contribute meaningfully to development of the town, as this is likely to attract in-migration of teachers and related facilities such as hospitals/clinics.

The Dr Nkosazana Dlamini Zuma Municipality has certain comparative advantages that need to be leveraged to create a competitive economy to address the substantive poverty and unemployment of the region. It is therefore the intention on the Municipality to create a pro-poor strategy of LED in the following manner.

The plan is sector/locality specific;

2. Donnybrook.



Idyllic as it seems, Donnybrook is a poor, neglected town steeped in poverty and unemployment. The station, its buildings, the surrounding residential properties, and associated infrastructure owned by Transnet have fallen into decline since Transnet stopped using the station. Squatting and electricity theft have become problematic.

The Spatial Development Framework indicated that the town of Donnybrook has limited residential expansion opportunities, but that the railway land can be used for residential redevelopment and for social amenities.

Unemployment in the area is estimated to be as high as 60%. Formal housing is in short supply. Public amenities are poor or non-existent. The Municipality owns no land in Donnybrook to construct any facilities.

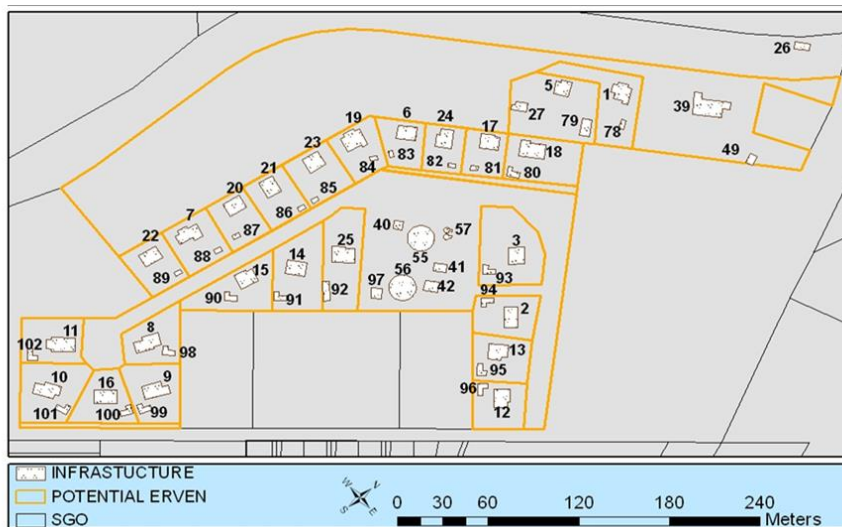
The Dr Nkosazana Dlamini Zuma Municipality intends to buy land from Transnet.

28 houses belonging to Transnet on a single Sub Division together with vacant unused land have been identified.





The above pictures are examples of the quality and standard of the houses in Donnybrook.



Negotiations were entered into between the then Ingwe Municipality and Transnet

VALUATION

The valuation took into consideration a variety of factors and was based on the Comparable Sales method of valuation. Factors influencing the assessed value included:

1. The number of derelict buildings which will require demolition or renovation.
2. The dysfunctional water supply and roads which will need to be upgraded
3. Donnybrook is a small rural village with little to show that there is much interest in property there. A buyer interested in acquiring property for development here will face a greater risk than in the more established centres which have a record of property movement.
4. The economic recession which has had a negative impact on property prices?
5. Anticipation of a developers return, as expected in any commercial transaction
6. The sale of land for R1 by Transnet to the Kokstad Municipality for development in the public interest
7. That Transnet bears a social and economic responsibility to the development and upliftment of the people of South Africa.
8. That the Ingwe Municipality will have to facilitate significant investment if the properties are to commercially viable.

The valuation concluded that combined value of the properties was R1 730 000

OFFER TO PURCHASE

The Ingwe Municipality prepared a formal offer to purchase property at Donnybrook from Transnet. This offer was communicated in writing and acknowledged by Transnet.

It is motivated to do this because it understands the positive economic and social development impact it will have on Donnybrook.

Local government is the sphere of government closest to the people. The Municipality is motivated not by the business case in and of itself, but by its desire to create a better quality of life for its people. As a developmental local government, the Municipality is committed to find sustainable ways to meet the social, economic and material needs of its people, and to create jobs and investment.

The offer to purchase is therefore informed by the assessed market value of the properties, but also by its vision for the development of the area.

As a state enterprise Transnet must recognise its corporate social and economic responsibilities, and the broader impacts its decisions and actions will have for the development of Donnybrook and the wellbeing of its people.

To seek a high value for properties with little current commercial or economic value would be to thwart the development efforts of government itself.

PUBLIC AMENITIES



Social Impact Upon Completion.

- Public Ablutions
- Soccer pitch
- Combination Court
- Town Hall
- Provision for a Public Library
- Taxi Rank
- Vehicle wash Area

It is also proposed that the Department of Human Settlement be approached for the development of a two story block of “High Density Flats” accommodating 30 families is established. The intention is to move the current occupants of the houses into the flats thereby enabling the municipality to refurbish the houses in preparation for use as rental stock.

4.2.5. Bulwer

Although it is classified as a primary node, of the three nodes in the municipality, Bulwer has more facilities.

(i) Competitive advantage

Bulwer is mainly a social services hub. The existing services in Bulwer range from government, to commercial and retail. The Government services are made up of South African Police Service, Traditional Authority offices, public library, primary and high schools, and a taxi rank. This is in addition to a number of commercial and retail facilities such as Supermarkets; Banks, accommodation facilities and a service station.

(ii) Investment opportunities

(a) Property Development -Shopping facilities, schools and a taxi rank generate demand for property development. The municipality could therefore facilitate investment into the housing sector in Bulwer.

(b) Social services such as counselling and social work, and construction of tertiary institution[s]could further develop Bulwer town.

Overall on the towns, this plan recommends that (i) a study be conducted to establish spin-off possibilities based on the competitive advantages of the three towns. (ii) A town development plan also need to be considered, for the three towns. Although this could draw from the Spatial development Framework, a town based plan could yield more effective planning and implementation of economic projects. It is also critical for town forums to be created, in all the three towns. The role of these forums would be to coordinate, design and implement town based projects in a joint stakeholder model.

Conclusion

This strategic LED plan has outlined issues, challenges and opportunities within the three main economic sectors within DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipality. Sector specific projects have been presented, in this regard. This has also involved an assessment of economic activities within the three main towns namely; Underberg, Himeville, Bulwer, Creighton and Donnybrook.

While development project opportunities have been identified, it is important, as the strategic plan suggests, to conduct further study focused on more development options for the towns and surrounding communities.

Project Matrix

Sector /Town		Project List	Priority
1 Dairy Sector	1.1	The Heifer Project	High
	1.2	Tarrying of the road from Franklin to Creighton	High
	1.3	Construction of the milk processing plant	High
	1.4	Training programs for farmers	Medium
	1.5	Training programs for non farmers with land resource	Medium
2 Tourism Sector	2.1	Refurbishing Rail passenger services such as waiting room, toilets, parking and landscaping as well as other operational requirements such as water and a storeroom	High
	2.2	Development of Trains Operations department	Medium
	2.3	The establishment of an alien plant clearance programme from Creighton to Donnybrook and Creighton to Riverside, and a related but separate alien plant clearance along the Ngwagwane River valley currently under Ingonyama	High
	2.4	Promote the introduction of rail bikes from Donnybrook to Creighton and Donnybrook to Ncwadi	Medium
	2.5	Allocating a portion of the proposed refurbished Donnybrook station buildings within the broader Timber hub development to serve as a “fit for purpose” meeting point for birders and guides visiting the Gqumeni Forest.	High
	2.6	Development of a walk through the forest with a level of signage and amenities to enhance the experience.	High

		2.7	Development of a bike trail that links the various missions together	Medium
3	Forestry Sector	3.1	Afforestation of Mzimkulu and Mkomaas water catchments	High
		3.1	Plantations of Eucalyptus by Mondi, in the place of Pine trees.	High
		3.1	Establishment of a saw mill, timber processing plant and pellet processing plants in Donnybrook.	High
		3.3	Establishment of a forestry liaison forum with the specific objective of improving dialog and encouraging alignment among the various forest sector stakeholders	High
4	Commerce and Informal Trade		Creighton	
		4.1	Establishment of vocational training centre for dairy farmers	High
		4.2	Facilitating investment in accommodation facilities including low cost housing	Medium
			Donnybrook	
		4.3	Construction of an informal trade centre	High
		4.4	Upgrade of road and electrification of the area	High
		4.5	Construction of extra schools and hospitals	Medium
		4.6	Facilitating investment in low cost housing	Medium
			Bulwer	
		4.7	Facilitate investment in property development	Medium
		4.8	Construction of tertiary institution	High
		4.9	Facilitate investment in social work as well as counselling services	High

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