

# THE DUBE TRADEPORT

*A platform for economic development*



# THE KWAZULU-NATAL EXECUTIVE COUNCIL



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# FOREWORD

The Dube Tradeport and King Shaka International Airport present many exciting new investment and business opportunities for the Province of KwaZulu-Natal and South Africa as a whole. This publication outlines the key elements of the project and puts forward its expected impacts. We hope that it will give all relevant stakeholders and interested parties an accessible and easy to understand overview of all aspects of the project.



I also hope that entrepreneurs in particular will seize the investment and business opportunities offered as the project proceeds into its implementation phase. The project aims to stimulate the development of new activities in the provincial economy including export perishables production, B2B and e-trade, increasing the production of low volume high value products across all sectors, and value added logistics activities. This is intended to help reposition the economy to become more effective and competitive in global supply chains.

At the same time our existing industries are offered the opportunity to expand their activities and access a wider range of supply chains solutions. I therefore call on all our existing firms to examine more seriously how they could take advantage of what the Dube TradePort and King Shaka International Airport have to offer.

Finally, if you have an interest in the development please forward all your queries to [info@dubetradeport.co.za](mailto:info@dubetradeport.co.za)

A handwritten signature in blue ink, appearing to read 'Z. L. Mkhize', written over a light blue background.

**Dr. Z. L. Mkhize**

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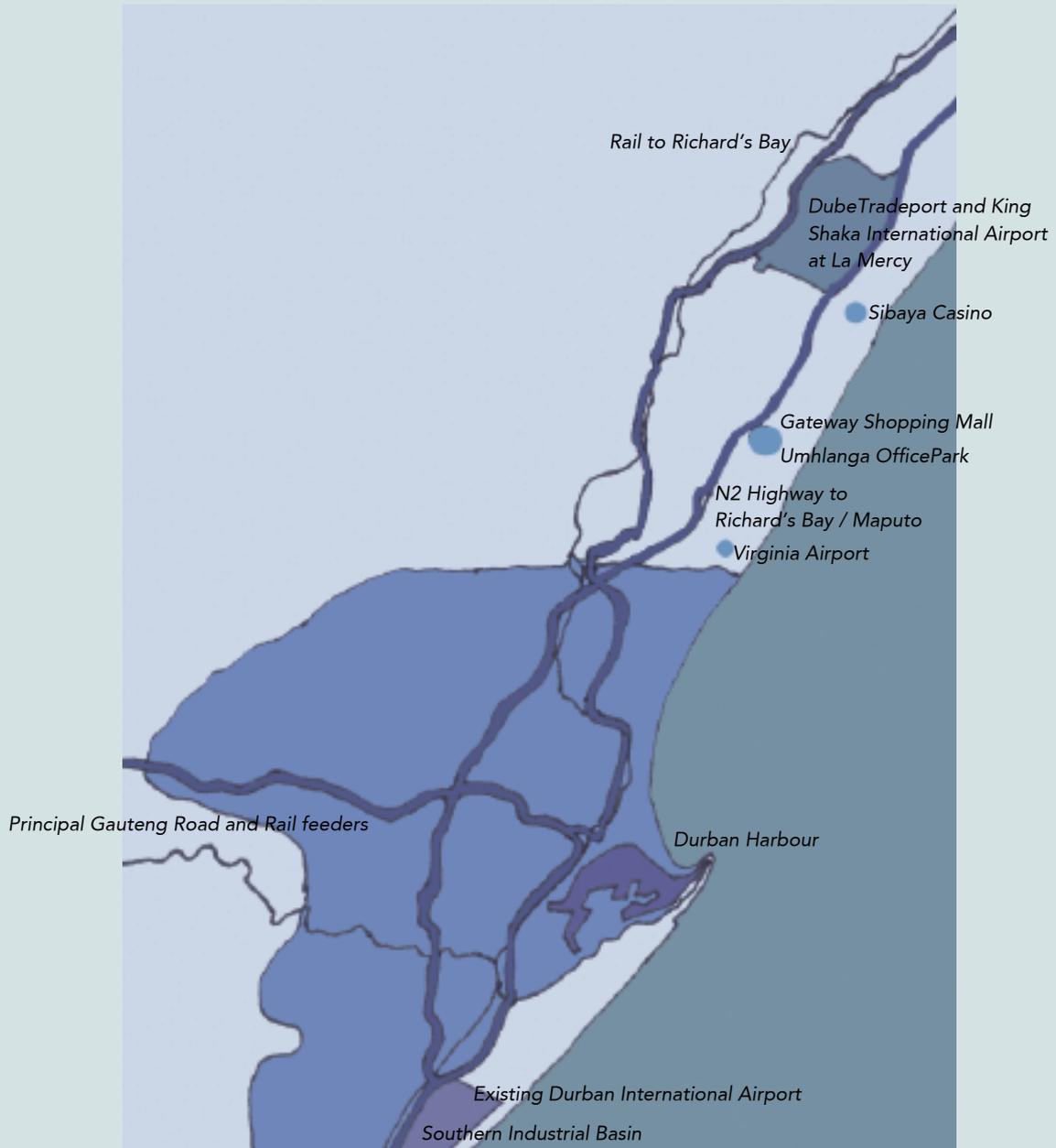




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# PROJECT LOCATION



# OVERVIEW

## Introduction

This document provides an overview of the Dube TradePort (DTP), including details of its key components, as well as explaining why it is such a critical development for both KwaZulu-Natal and South Africa as a whole. It details the likely socio-economic impact that the project will bring to the country and demonstrates how it will provide strategic and operational solutions to key challenges within tourism, international trade, logistics, airport development, technology enablement and property development.

## Nature of the Dube Tradeport

The Dube Tradeport is a world-class airport development which combines the King Shaka International Airport (KSIA), a Trade Zone and a Cyberport.

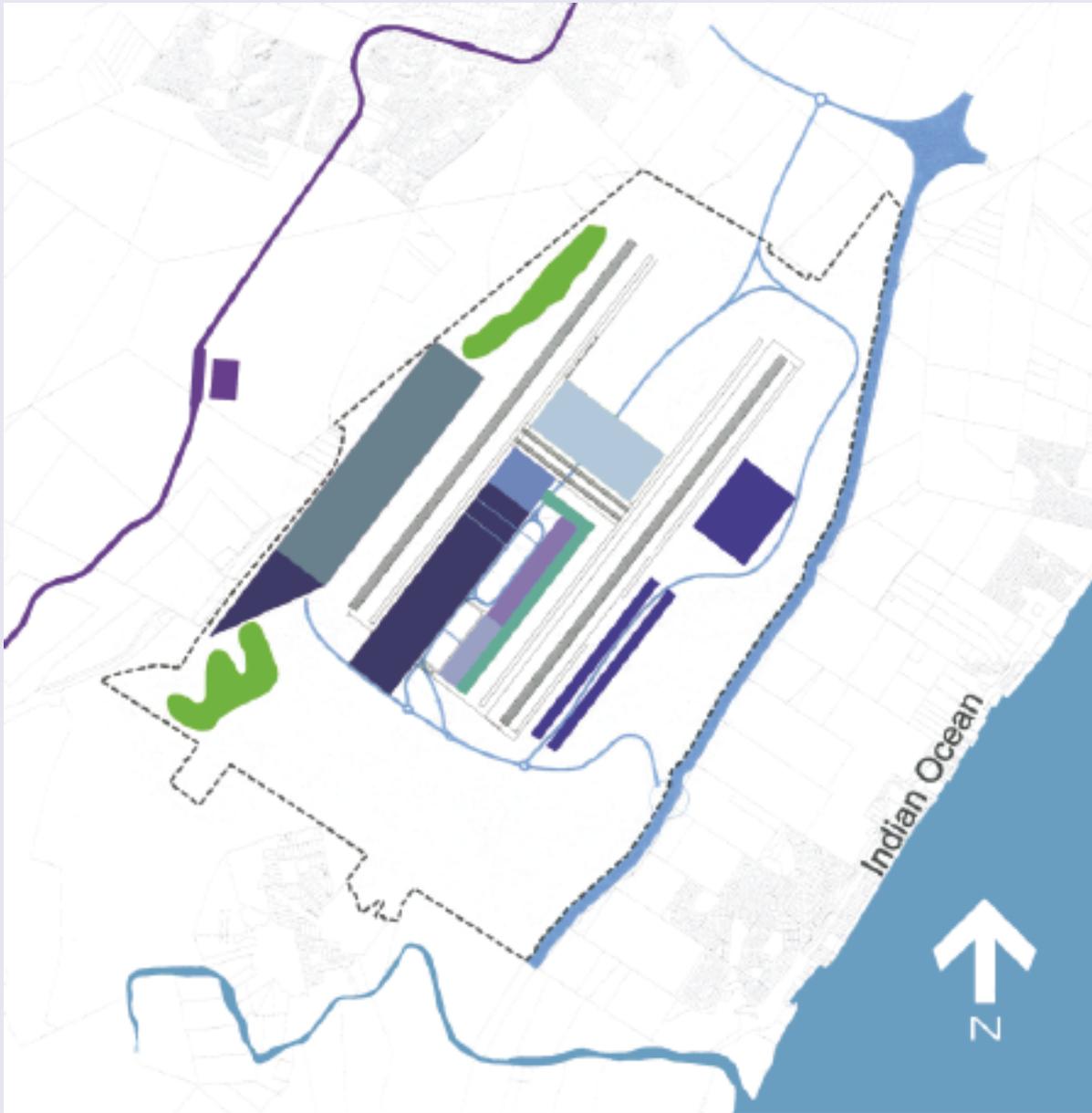
Furthermore, the DTP will create a highly competitive, world-class operating environment that will be geared to attract a wide range of investors, operators, users and tenants.

## Location

The DTP will be located approximately 30km north of Durban's city centre on the east coast of South Africa in the province of KwaZulu-Natal. Its location capitalises on the fast growing tourism and business travel demand within the region, underserved industrial property demand in the North Durban area, as well as the major freight corridor between Gauteng and the ports of Durban and Richards Bay.

## Timings

The first phase of DTP is targeted to be fully operation by 2010 and will include the runway, passenger and cargo terminals, perishables centre and cyberport. This will accommodate the significant increase in passenger and freight volumes expected by this time, including the 2010 Soccer World Cup. It is also expected that certain new direct intercontinental air services will be introduced during 2010.



● Warehouses

● Agriculture

● Process/manufacturing

● Additional development

● Aviation related development

● Passenger terminal

● Passenger apron

● Cargo/perishables

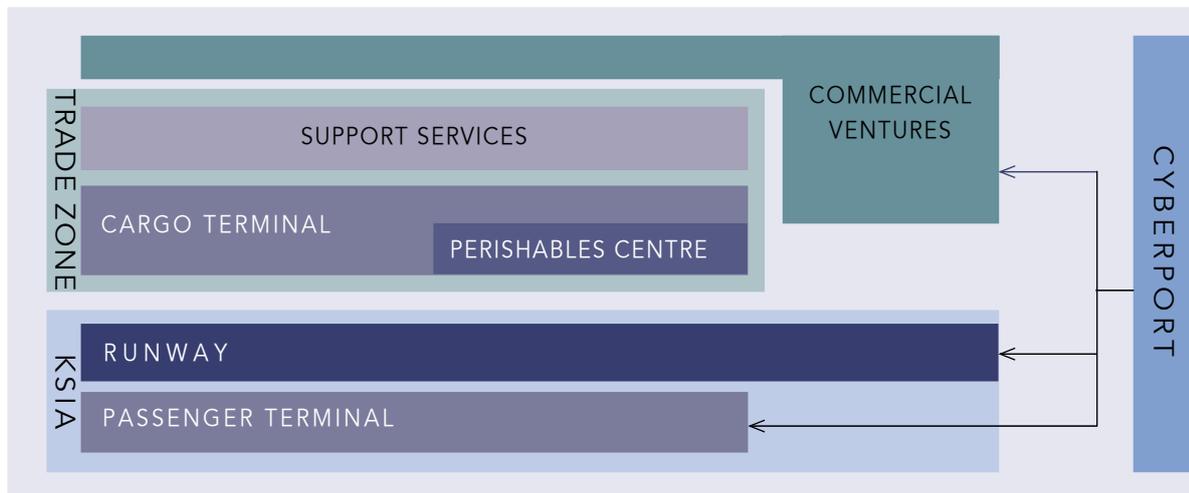
● Cyberport commercial

# KEY COMPONENTS OF THE DTP

The DTP is made up of three key elements, as set out below:

1. King Shaka International Airport (KSIA), including a 3,700m runway (able to expand to 4,000m), a passenger terminal with initial capacity to handle four million passengers, and a number of retail and other related concessions
2. Trade Zone, including Cargo Terminal (warehousing and handling for variety of sectors ranging from electronics and automotive to clothing and textiles) with Perishables Centre (specialised cold storage, handling, value-addition, inspection, technical support for perishables sector), warehousing, light manufacturing, offices for related business services, as well as government support centre
3. Cyberport providing a leading edge ICT infrastructure and value adding services, facilitating integrated, efficient technology-enabled transactions, trade and transport, as well as a government support centre

The diagram below gives an indication of the broad relationship between these components:



Each of the components is described in further detail below.

## 1. King Shaka International Airport

The King Shaka International Airport (KSIA) represents the development of an integrated passenger and freight airport without the significant constraints associated with Durban International Airport. The passenger terminal, with an initial 18 passenger aircraft stands and a size of 19,500m<sup>2</sup> will cater for both domestic and international travel. Initial capacity will allow for four million passengers per annum with opportunities for significant expansion. A runway length of 3,700m will accommodate the latest New Generation Large Aircraft (NGLA) including the A380 Airbus, with the space to expand to 4,000m. The passenger terminal will have expanded retail concession opportunities. Facilities for police, military, VIP, general aviation and aircraft maintenance operations will be provided.

## 2. Trade Zone and associated ventures

The DTP Trade Zone represents a significant new development in comparison to Durban International Airport, creating economic opportunities across a wide range of industrial sectors. The core components planned for development as part of the Trade Zone are set out in the table below:

| KEY COMPONENT   | PRIMARY FOCUS AND KEY ACTIVITIES   |
|---|--|
| <b>Core logistics activities</b>                          |  |
| <i>Cargo Terminal</i>                                     | <ul style="list-style-type: none"> <li>♦ <i>Warehousing and handling for variety of sectors ranging from electronics and auto to clothing and textiles</i></li> </ul>  |
| <i>Perishable Centre (as component of Cargo Terminal)</i> | <ul style="list-style-type: none"> <li>♦ <i>Specialised cold storage, handling, value-addition, inspection, technical support for perishables export</i></li> </ul>  |
| <b>Support services</b>                                   |  |
| <i>Government support services</i>                        | <ul style="list-style-type: none"> <li>♦ <i>Provide “one stop shop” service delivery location for export and FDI support including:</i> <ul style="list-style-type: none"> <li>— <i>Access to incentive schemes</i></li> <li>— <i>Support with SETA activities</i></li> <li>— <i>Customs and excise value added service (e.g. use of export codes or proper classification procedures, etc)</i></li> <li>— <i>Labour law registration and administration</i></li> <li>— <i>Permit application and processing support (incl. environmental, water, work permits)</i></li> <li>— <i>Coordination and problem-solving with other elements of the logistics chain (e.g. roads, ports)</i></li> <li>— <i>Attracting and facilitating FDI by linking foreign investors with appropriate government branches, companies and services</i></li> </ul> </li> </ul> |
| <i>Agro-perishables support centre</i>                    | <ul style="list-style-type: none"> <li>♦ <i>One-stop-shop for agricultural export related government services; mainly administrative support, possibly also including some commercial services around technical assistance and certification</i></li> <li>♦ <i>Remote service provision to users in the wider catchment area</i></li> <li>♦ <i>Provide space/venue for intermittent services (e.g. training)</i></li> <li>♦ <i>Scale and range of services heavily linked to DTP leased agricultural land and future structure of growers groups and their level of reliance on the logistics industry</i></li> </ul>  |
| <i>Leased agricultural land</i>                           | <ul style="list-style-type: none"> <li>♦ <i>Farmland adjacent to the airport available for lease to support the development of export-oriented production in KZN through partnerships between existing commercial growers and smaller scale / emerging farmers</i></li> <li>♦ <i>Likely focus on cut flowers, mini-vegetables and other high-value fresh produce; suitable to compact growing conditions</i></li> </ul>  |

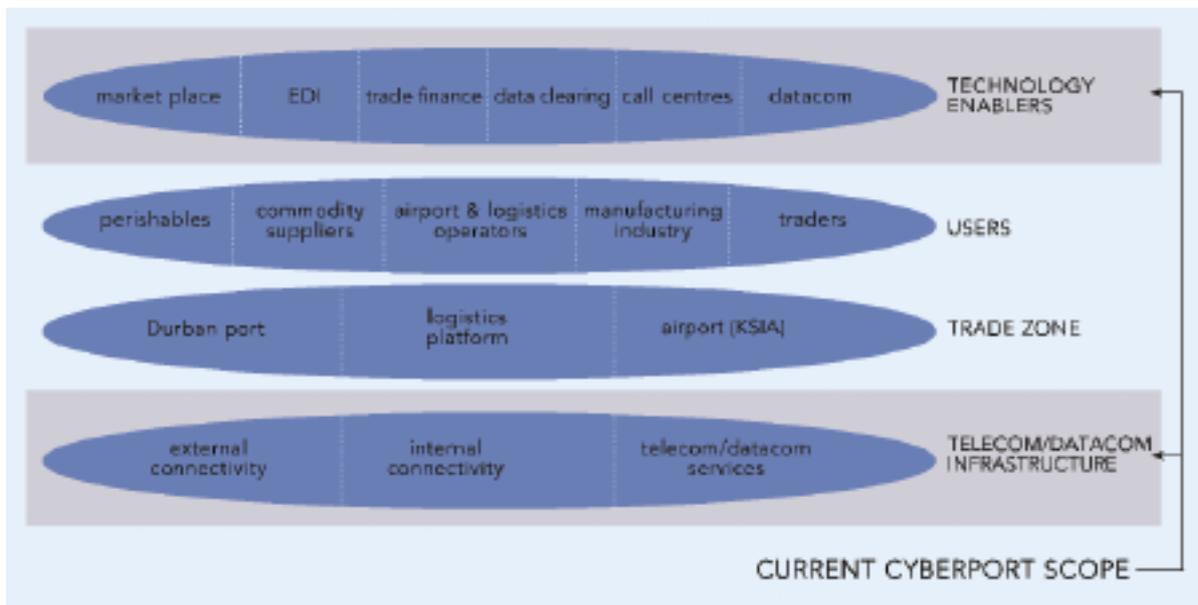
In addition, the multi-modal logistics platform will make this an attractive location for manufacturing and services investment by any company that would benefit from quick access to air cargo or passenger services (in particular companies operating within global value chains); a wide range of investments are therefore likely. Possibilities have been identified to date are listed below:

- ◆ Value-added logistics park
  - Dedicated logistics infrastructure and services to develop an air-freight focused value-added logistics cluster that attracts integrators, third-party logistics companies, and logistics service providers, along with their key accounts
- ◆ Aircraft maintenance, repair and overhaul (MRO), aluminium product manufacturing and aerospace
  - Offer cost-competitive C and D check maintenance services
- ◆ Electronic Manufacturing Services (EMS)
  - Contract manufacturing or assembly of Original Equipment Manufacture (OEM) designed electronics for communications, automotive and medical/instrumentation sectors; typically for mass volume or component intensive products
- ◆ Remote printing
  - Electronic receipt of newspaper, magazine or textbook materials from overseas publishers for local printing and distribution; allows small print runs/tailoring to specific regions or type of reader
- ◆ Packaging service provision
  - Provision of value-added packaging services for product manufacturers and tailored services for import/export

Additional “spin-off” commercial property and service developments might be stimulated within the DTP vicinity through the step-change in economic activity in the area.

### 3. Cyberport

The DTP Cyberport will be the bridge between the bricks-and-mortar logistics and passenger platform that is being developed at the DTP, and the need for effective technology enablement that facilitates national and international trade communications. As illustrated below, the Cyberport concept extends beyond basic infrastructure elements to a layered approach that provides end-to-end transactional services.



#### Scope of the DTP Cyberport

The Cyberport's combination of infrastructure and services delivers three distinct value propositions:

- ◆ **World-class ICT Infrastructure:** Broadband telecommunication and data communication infrastructure to ensure speed and reliability of all communications within the airport and the Trade Zone
- ◆ **Value-adding services:** a wide range of connectivity solutions and value-added services (including redundancy, security, data centre and technical support) to support high-end e-commerce, e-fulfillment, call centres, and other ICT-critical activities
- ◆ **Trade and transport enabling platform:** a unique technology platform that enables integrated, end-to-end communications across the trade and transport chain, bringing substantial efficiency and cost savings to exporters, importers and the logistics community

# OBJECTIVES AND STRATEGIC APPROACH

The Dube TradePort will be a critical infrastructure development for South Africa, enhancing tourism and supporting exports as well as unlocking a whole host of other economic opportunities. The key objectives that the DTP will achieve are as follows:

1. **Creating airfreight logistical efficiencies within an integrated multi-modal national logistics platform**
2. **Supporting high-value manufacturing, value-added logistics and perishables through co-location with logistics platform, creation of a competitive operating environment (including ICT services) and coordinated government support**
3. **Driving tourism growth through access to direct international flights**
4. **Addressing the inherent inadequacies of Durban International Airport**
5. **Tapping into the benefits of alternative uses of the DIA within an overall spatial and economic plan for the Southern Industrial Basin**

In addition, the DTP is designed to maximise overall socio-economic benefits, including growing employment, increasing empowerment, alleviating poverty and providing broad access to infrastructure.

Each of these five areas is discussed in the sections below:

## 1. Building an efficient multi-modal logistics platform for growth and development

### Challenge

The imperative to improve logistics efficiency is made urgent by global trends that place logistics at the heart of the ability to compete in global supply chains. Meeting this challenge is particularly important for emerging markets. South Africa and KwaZulu-Natal are no exception to this trend. KwaZulu-Natal in particular is a logistics hub facing significant transformation challenges in order to become fully multi-modal and more efficient.

While numerous logistics policies and strategies have been developed in Africa and South Africa, implementation to date has been slow and inadequate. Championing of key projects is therefore required to achieve results within the “window of opportunity”.

Air transportation is growing rapidly as a mode of choice for high value components and manufactured goods, just in time production, and perishable products. While 0.5% of international freight weight moves by air, 34% of the value moves by air. The logistics industry and airports are becoming increasingly sophisticated and specialised in order to capture the demand for effective airfreight and multi-modal integration.

The absence of a globally competitive airfreight solution is preventing the KZN multi-modal logistics hub from providing a complete logistics platform to service the needs of high value manufacturing and perishables.

## DTP solution

The Dube TradePort will provide a world-class airfreight logistics solution and will seek to stimulate development of globally competitive logistics service providers. Its unique location will reduce inefficiencies in the current system and enhance existing multi-modal freight flows, including the Durban Container Terminal, Richards Bay Port and the Durban-Gauteng freight corridor. The location north of Durban, along with DTP's strategic approach to target perishable and other selected export products and related services, enables DTP to stimulate rural economic activity and small enterprise development.

DTP will be the first logistics gateway of its kind on the African continent, providing a combined sea level platform for value-added logistics, high value manufacturing, agro-industry and technology-enabled B2B commerce (through efficient broadband connectivity and value-added services).

Conservatively forecasted total in and outbound volumes for the cargo terminal by the "steady state" year of 2019 are approximately 98,000 tons in the base case and 174,000 tons in the high case.

The design of the facility and its services will take into account the increasingly sophisticated structure of global logistics, including the existence of 3PLs, 4PLs, LLPs and integrators, as well as the demand for express and time sensitive freight.

DTP will be designed and operated to deliver the following:

- ◆ Improved access to key markets, including ability to access airspace slots at required times because of lack of congestion
- ◆ Reduction of time to market
- ◆ Reduced requirements to hold inventory
- ◆ Improved quality of service provision (customer service, ICT services, logistics handling services, cold chain management services etc) with a particular focus on serving the needs of smaller enterprises and new entrants
- ◆ Reduced total logistics and transaction costs
- ◆ Reduced landed product cost
- ◆ Focused target markets and product clusters, enabling highly focused market access strategies and customised facility design and handling

In order to create this competitive operational environment within the existing logistics platform, DTP will need to carefully balance two factors. DTP needs to work as a cooperative part of the South African and SADC transport and logistics platform. It also needs to find a differentiated position within this platform, servicing a particular catchment area, client base and focused group of target destinations. DTP will also need to balance providing world-class service while remaining affordable and providing an investment environment that is competitive with other airports and trade zones. This balance will be achieved through a public private partnership approach to implementation.

## 2. Supporting high value manufacturing, value added logistics and perishables

### Challenge

Wider interventions beyond pure logistics solutions are required to provide a catalyst for faster growth of high value manufacturing and perishable products within the region, and enable this growth to contribute to employment, empowerment and rural development. The changing structure of logistics role players, with increased provision of value-added logistics services, has blurred the line between manufacturing and logistics; excellence in value-added logistics services creates economic growth in its own right, but can also help drive manufacturing competitiveness and integration into global supply chains.

South Africa's economic policy developments over the past 10 years have aimed to address many of the requirements for growing high value manufacturing, with the Microeconomic Reform Strategy being particularly relevant. However, implementing these improvements to the competitiveness platform across the whole country is a massive challenge. Spatially demarcated projects provide a means to integrate and accelerate implementation in key areas. Globally, industrial parks, in particular those linked into logistics platforms, are being used to drive industrial competitiveness.

KwaZulu-Natal is particularly well suited to tap into this trend. The Durban region is experiencing a sustained property boom, which should be utilised to optimise industrial and wider economic development.

Information and Communication Technology (ICT) infrastructure and value-added services can play a key role in reducing transaction costs and improving competitiveness for exporters and logistics service providers.

### DTP strategic solution

DTP will establish a Trade Zone, which will provide a customised environment to support the following:

- ◆ Cargo Terminal with specialised Perishables Centre
- ◆ Value-added logistics park
- ◆ Light manufacturing and related services zone
- ◆ Support ventures
- ◆ Other commercial ventures

The Trade Zone will support:

- ◆ Retention and expansion of existing enterprises, including exporters and service providers (short term focus)
- ◆ Generation of new opportunities and enterprises in existing product clusters, in particular for empowerment enterprises
- ◆ Opening up of opportunities in new product clusters, services and markets that become evident or possible because of the platform provided by DTP and the Trade Zone (whether located on-site within the Trade Zone or as off-site users of the Trade Zone's services) in particular for empowerment enterprises

The proactive development of a Local Economic Development Programme by DTP creates the opportunity to ensure that DTP does not fall into the same trap as many other large projects, missing the opportunity to use large infrastructure, construction and service requirements to build local enterprise capacity and address local unemployment and poverty. The LED programme will identify potential enterprise and employment opportunities in good time, and ensure that the necessary support structures are in place so that local individuals and enterprises are equipped to access these opportunities. As a result, DTP will be well positioned to contribute to provincial and national microeconomic reform objectives of reduced input costs, job creation, enterprise development, rural poverty alleviation, development of world-class competitiveness and export growth.

The site provides an attractive commercial location because of its easy access through existing transportation infrastructure and location within an area where commercial property is growing from strength to strength. The noise contours and the site topography enable the creation of high quality residential – commercial developments to the east of the site. This is facilitated by the existing ridge between the runway and this location.

The primary reason for entities to locate within the Trade Zone will be co-location with the airport to further improve logistical efficiencies for those companies for whom airfreight is a key factor, or to service users of DTP. Additional drivers of location will include the world-class operating environment, the opportunity for bonded operations, as well as streamlined support services.

### Operational environment

The DTP will place significant focus on ensuring that it delivers on its objectives at an operational level.

An analysis of existing airfreight exporters within the catchment area highlighted the following requirements, which will be addressed by the Trade Zone

- ◆ Access to cost-effective and rapid import of inputs by both sea and airfreight
- ◆ Multi-modal integration
- ◆ Packaging that meets export market requirements
- ◆ Training/human resources development
- ◆ Marketing and market-making
- ◆ Market intelligence
- ◆ Enabling ICT
- ◆ Security
- ◆ Access to government support services

Key property services will include:

- ◆ Development of basic infrastructure (site & service, some speculative build)
- ◆ Attracting and retaining tenants
- ◆ On-selling of bulk utilities
- ◆ Provision of value-added property services (e.g. security, turnkey solutions, landscaping, relocation coordination, space utilisation planning)

The development of a Cyberport provides an opportunity to create a B2B electronic exchange platform that links with major international B2B electronic exchanges, and helps realise the objective of facilitating external trade. Elements of the Cyberport will include:

- ◆ Provision of IP connectivity to the Trade Zone
- ◆ Provision of IP connectivity within the Trade Zone
- ◆ Provision of value adding services for data communications for tenants, within the zone and with the "outside world"
- ◆ Provision of logistics integrated technology solutions
- ◆ Provision of electronic trade enabling solutions

In addition, the Cyberport will play a role in supporting technological integration of the entire DTP precinct.

The DTP not only offers a significant catalyst to further property development in the North Durban area (by providing an international passenger airport as well as a highly effective trading environment), but also as a property development project in its own right. Recognising the significant demand for rental space at the DTP, a number of the major property development companies have already expressed a keen interest in becoming involved in its development.

### 3. Driving tourism growth through access to direct international flights

#### Challenge

Tourism continues to be a global growth industry. South Africa has already tapped into this growth to some degree, but KZN has lagged behind in international tourism share, despite its exceptional tourism asset base. The lack of direct international flights into Durban represents a significant constraint to economic development through tourism – a study for Tourism KZN conducted by Grant Thornton Kessel Feinstein estimated that 3,682 international tourists a month did not visit KZN due to the lack of a direct international flight. The 2010 Soccer World Cup presents a key opportunity for a step-change in tourism growth for the region.

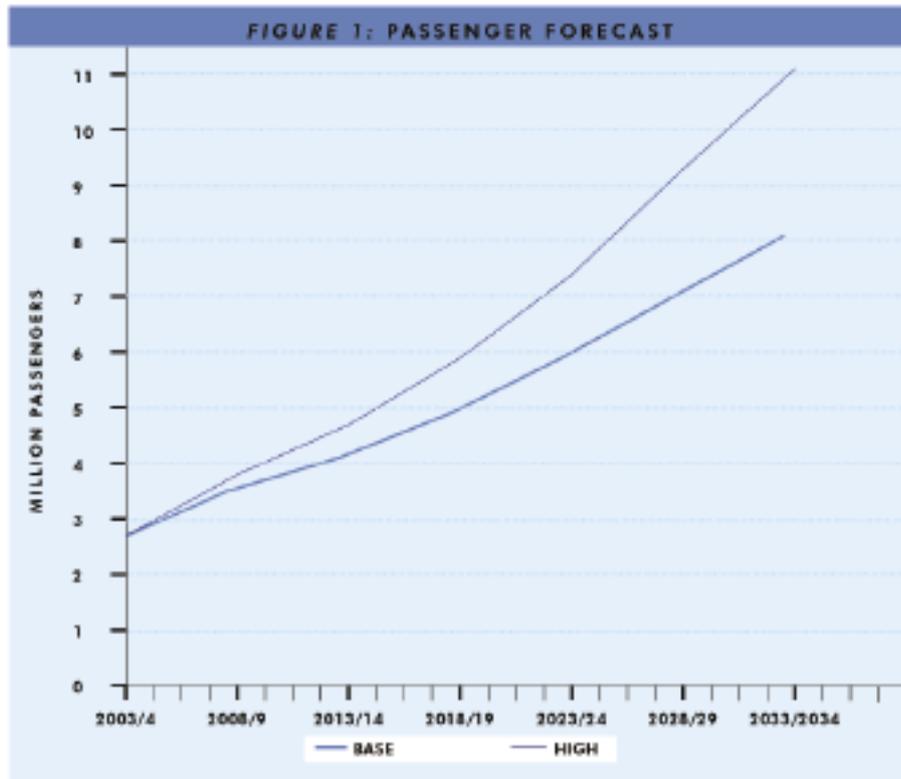
#### DTP solution

The effectiveness of the strategy to draw international tourists and business travellers to KZN will be greatly improved by the existence of direct international flights to the province from key destinations, through the King Shaka International Airport. DTP aims to build a strategy around scheduled flights on sustainable routes to a small group of target markets. Route selection will be based on a combination of passenger and freight demand, and is expected to include the United Kingdom, an additional European destination and Dubai. In addition, seasonal charters may form part of the solution provided by DTP.

The primary operational differentiation and benefits for passengers will be:

- ◆ The ability to catch direct international flights from and to KZN
- ◆ Efficient and quality customer service, through enhanced training and Service Level Agreements
- ◆ Access to extended retail and other services on site

DTP studies have estimated that five million passengers will be making use of the DTP by 2018/19, growing to over eight million by 2032/33 (this compares to over 11 million in the high case). A breakdown of these forecasts over time and by service type as shown in the graph below.



The average growth rate shown above of 3.6% (in line with IATA forecasts) represents a conservative assessment of air passenger growth for KZN, which in reality is likely to grow at a faster rate than the global average – KZN Tourism’s forecast is for over 5% growth per annum.

## 4. Overcoming inadequacies of Durban International Airport

### Challenge

The constraints of the DIA site, in particular obstacles to extending the runway and space constraints, inhibit future developments at this location.

### DTP solution

The table on the next page identifies constraints at the DIA site and indicates how they will be addressed by DTP.

| DIA  | KSIA   |
|--|--|
| <b>OPERATIONAL EFFECTIVENESS AND FLEXIBILITY</b>   |  |
| <b>Landside Issues</b>   |  |
| <i>Airport site is largely contained by developed areas including residential, which impose expansion constraints.</i>   | <i>Site is largely free of any significant peripheral development allowing flexible development of the whole logistics platform.</i>   |
| <i>Access to/from motorway leaves little or no room for terminal/car park expansion.</i>   | <i>Location and sizing of access links is designed to cater for forecast demand.</i>   |
| <i>Kerb is very short and narrow without appropriate separation between arrivals and departures streams.</i>   | <i>Kerb has been designed in an optimal way to segregate arriving and departing vehicle streams.</i>   |
| <i>Total parking spaces are restricted by the width of land between the terminal and the motorway.</i>   | <i>Sufficient parking space has been reserved in unconstrained location to accommodate forecast parking demand.</i>  |
| <i>No plan for rail connection although rail line passes near to airport.</i>  | <i>A rail link passes near the airport site and has been included as part of overall multi-modal airport/logistics facility.</i>   |
| <i>Large scale terminal expansion constrained by location of access routes and car parks.</i>  | <i>Terminal building expansion zones safeguarded.</i>  |
| <b>Airside Issues</b>  |  |
| <i>Apron size constrained.</i>   | <i>Safeguarding for the A380, but also providing MARS capability for optimal stand usage.</i>  |
| <i>Taxiway network is a constraint to operations.</i>  | <i>Parallel taxiways and suitable number of RETS have been planned in order to accommodate Code F aircraft.</i>  |
| <i>Current runway length limits some aircraft payload/range capabilities.</i>  | <i>Runway length is adequate to allow for MTOW of a 747-400F direct long-haul operations.</i>  |
| <i>Runway expansion constrained by canal and Athlone Tower.</i>  | <i>Capacity for runway to expand to 4000m</i>  |
| <i>Insufficient space for second runway</i>  | <i>Second runway potential phased into Master Plan</i>   |
| <b>Safety and Environment</b>  |  |
| <i>There is limited space to safeguard for any possible changes in the ICAO RESA requirements if the runway gets extended.</i>   | <i>Area has been safeguarded for potential 240m RESA requirements.</i>   |
| <i>Tails of aircraft parked on stand can create visibility problems from ATC tower.</i>  | <i>The tower location has been planned to ensure complete airfield visibility.</i>   |
| <i>In a "worst case" scenario, the Umlaas canal presents an operational risk to aircraft should a significant overshoot or undershoot occur.</i>   | <i>No site risks to aircraft present.</i>  |
| <i>Obstacle limitation regulations restrict smoke stack heights which impacts air pollution. Pollution cited to create visibility issues at times. Significant Capex to rectify long term flood concerns. Sub surface movement apparently has impacted navigational aids in the past. Height of petrochemical storage tanks and fences a concern. If problems arise at the petroleum site they may impact operations at DIA. Airport growth may be constrained by local residents as more ATMs create longer periods of exposure to noise and air pollution.</i> | <i>New site is away from any major conurbations and will be substantially less intrusive to local residents. Less pressure on surrounding environment, and ability to mitigate environmental impact through design and operation specifications.</i> |
| <b>Commercial Property</b>   |  |
| <i>Airport site approximately 620 hectares with consequential limited development potential for non-aeronautical activities.</i>   | <i>Airport site approximately 2100 hectares with sufficient land reserve for non- aeronautical development potential.</i>  |
| <i>Best value is to sell land.</i>   | <i>Effective spatial planning within the DTP precinct and the surrounding land (currently agricultural zoning) can create seamless operations and maximum socio-economic benefits .</i>  |
| <i>Constrained site represents a negative factor for large scale commercial investment.</i>  | <i>Unconstrained site represents a positive factor for large scale commercial investment.</i>  |

## 5. Unlocking alternative uses of the Durban International Airport site

### Challenge

The Southern Industrial Basin region of the eThekweni Municipality is an area that begins in the southern area of the port and extends to the AECl area of Umbogintwini. It includes Maydon Wharf, Congella, South Coast Rd, Clairwood, Jacobs, Mobeni, Prospecton, Isipingo Industrial and Umbogintwini. The area is of strategic economic significance for Durban, KZN and South Africa, because of both its port and manufacturing activities, forming the largest concentration of industrial land in the Durban Metro and the second largest concentration of industrial land in South Africa after the East Rand. Some of South Africa's key large companies are located in the area, in particular in the pulp, automotive and petrochemicals sectors<sup>1</sup>.

Despite the presence of heavy industry, the area is currently a mixed use area with residential developments adjacent to these industrial activities. Residential areas emerged out of apartheid era relocation projects. As a result, there are significant environmental pressures on the area.

The Durban International Airport precinct is one key parcel of land within this system. In addition to its direct land use, it impacts on the area as a whole, because of its regulatory requirements (e.g. lowering the height of petrochemical towers to prevent them becoming flight hazards, thus increasing low level air pollution) and through its infrastructure use implications (e.g. increased traffic flows).

As a result of all these factors, the area is under extreme pressure. In particular, there is a high unmet demand for industrial land, for the following uses:

- ◆ Light industry, logistics and warehousing – primarily on the basis of providing more competitive linkages to sea-based logistics
- ◆ Export-focused expansion of the petrochemical industry which is already located in this area, with a particular emphasis on value addition
- ◆ Durban port – opportunities for back-of-port operations and warehousing

### DTP solution

DTP is not merely a relocation of the current airport; it is a far wider concept that requires developments that cannot be accommodated at the current DIA site due to space and environmental constraints. The operation of both airports in parallel would not be possible given aviation regulation restrictions, nor is it economically viable. A phased relocation has also been shown to be an inefficient use of resources.

The relocation of the international airport to La Mercy will free up a piece of land in an area under high demand for alternative uses. The relocation of DIA also provides an excellent opportunity to seek cross-stakeholder agreement on a revised spatial plan for the Southern Industrial Basin, identifying the optimal alternative use for the land, with subsequent spatial planning and rezoning where required. It is likely that this agreement will need to be informed by objective analysis of the various land use options and their respective viabilities and socio-economic impacts.

1. Final Draft Pre-Feasibility Report On The Durban South Industrial Development Zone, Scott Wilson and Southern Innovative Consulting, In Association With Neil Klug (TRP) SA and VanCometrics CC (2000)

## EXPECTED IMPACT OF DTP

A comprehensive socio-economic impact assessment<sup>2</sup> of the DTP was completed in December 2004. Based on the proposed scope of each of the DTP elements (broadly defined by CAPEX and OPEX), the direct and indirect employment, contribution to GDP, increased fixed investment and government revenue from taxes were calculated both nationally and for the KZN province. The total socio-economic impact of the DTP, including the associated benefits from unlocking potential in the DIA site, was calculated as follows:

|  | Combination of all lowest case scenarios    | Combination of all highest <sup>3</sup> case scenarios |
|--|---|--|
| <b>Employment (new sustainable jobs)</b>                               | National: 164,838<br>KZN: 150,043           | National: 269,203<br>KZN: 244,205                      |
| <b>Increased contribution to GDP (constant 1995 prices)</b>            | National: R12.3 billion<br>KZN: 8.1 billion | National: R20.5 billion<br>KZN: 13.4 billion           |
| <b>Increased fixed investment (constant 1995 prices)</b>               | National: R4.0 billion                      | National: R6.9 billion                                 |
| <b>Increased government revenues from taxes (constant 1995 prices)</b> | National: R2.2 billion                      | National: R4.3 billion                                 |

The “cost per job”, defined as “the investment by government over the period of 2005-2025 relative to the number of jobs created”, ranges from R5,600 to R8,700. Furthermore the DTP will create significant benefits both in terms of BEE and competitiveness.

### Black economic empowerment

The DTP is largely designed to bring in new economic activity, while supporting expansion of existing activities. DTP’s empowerment strategy is therefore to utilise the framework of Broad-Based Empowerment and industry charters to bring BEE players into new economic activities and high value industries.

As such, the following ownership targets have been set:

- ◆ Direct BEE ownership in the project: a minimum of 30%; increase over 8 years to 51%
- ◆ Of that BEE equity one third should reflect broad based BEE ownership
- ◆ Investment in ventures within the Trade Zone on the basis of industry charter targets where available, and mutually agreeable targets where such sector-wide targets do not exist, with facilitation support from DTP through its wider investment facilitation efforts

Each investor must be BEE accredited, having addressed the ownership and control requirements. A foreign partner who has no subsidiary activity in SA would not be required to include a BEE equity partner, but would be required to address BEE ownership in the event it established a subsidiary in SA.

2. Global Insight: Dube TradePort, Project scenarios: Macro & Socio Economic Impact Assessment

3. Note that the above benefits have been derived from the base cases from the PPP feasibility and Trade Zone Business Plan (relating to passengers, export volumes, capital expenditure, etc.). An equivalent analysis on the high cases would yield significantly greater impact.

## Competitiveness gains

Over and above the gains in competitiveness through increased efficiency introduced by the DTP project in the transport sector, there are also potential gains obtained by achieving lower prices as a result of increased efficiencies in the transport sector on a national level. This has been estimated by Global Insight to be a 0.17% increase in GDP (and a 0.08% increase in employment for every 1% reduction in prices).

## Indirect benefits

The DTP project will also make a positive contribution to skills development in a number of sectors, including construction (in the early phases of the project), tourism, the wholesale and retail sector, and agriculture. Technology transfer will likely take place in the agricultural, aluminium and electronics sectors, as well as provide support/basis for existing efforts such as the Embizeni Innovation Support Centre ([www.innovation.org.za](http://www.innovation.org.za)), located in Durban.

## Beneficiaries

The DTP will have significant socio-economic benefits for a wide range of provincial and national stakeholders over an extended period of time. The table below provides a breakdown of these potential benefits by the type of beneficiary.

| Beneficiary category                | Impact area   | Nature of benefits  |
|-------------------------------------|---|---|
| Producers/exporters as users of DTP | <ul style="list-style-type: none"> <li>♦ Primarily KZN</li> <li>♦ Other South African exporters in relatively close proximity:                             <ul style="list-style-type: none"> <li>— Eastern Cape</li> <li>— Mpumalanga</li> <li>— Free State</li> <li>— Gauteng</li> </ul> </li> <li>♦ Other SADC exporters in relatively close proximity:                             <ul style="list-style-type: none"> <li>— Mozambique</li> <li>— Swaziland</li> <li>— Lesotho</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>♦ Access to international airport (with strong emphasis on freight)</li> <li>♦ Access to key markets</li> <li>♦ Reliable access to freight and quality handling</li> <li>♦ Multi-modal access - close to port, efficient road and rail access</li> <li>♦ Streamlined customs clearance</li> <li>♦ Access to additional export and business support services</li> <li>♦ Opportunities for freight consolidation</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Improved market access</li> <li>— Lower total logistics cost and improved landed cost competitiveness</li> <li>— Better landed product quality</li> <li>— Reduced time to market</li> <li>— Reduced inventory held</li> </ul> |

| Beneficiary category   | Impact area  | Nature of benefits   |
|--|--|--|
| <p>Logistics service providers and value-added logistics</p>               | <ul style="list-style-type: none"> <li>♦ KZN</li> <li>♦ Rest of South Africa</li> <li>♦ International</li> </ul> | <ul style="list-style-type: none"> <li>♦ World-class operating environment</li> <li>♦ Facilities designed to meet logistics industry needs, including value addition</li> <li>♦ Easy access to runway/slots</li> <li>♦ Easy access to freight capacity</li> <li>♦ Competitive ground handling/ ability to manage own ground handling if desired</li> <li>♦ Inter-modal possibilities</li> <li>♦ Enabling ICT platform and opportunities for paperless logistics/ EDI</li> <li>♦ Access to customer base (assuming significant DTP user and tenant base)</li> <li>♦ Logistics centre of excellence</li> <li>♦ Twinning relationships with other logistics hubs</li> <li>♦ Access to training facilities</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Streamlined operations and improved efficiencies</li> <li>— Increased activity</li> <li>— Lower total logistics cost</li> </ul> |
| <p>Other business service providers, export agents, intermediaries etc</p> | <ul style="list-style-type: none"> <li>♦ KZN</li> <li>♦ Rest of South Africa</li> <li>♦ International</li> </ul> | <ul style="list-style-type: none"> <li>♦ Opportunity to design facilities to meet specific needs</li> <li>♦ Access to customer base (assuming significant DTP user and tenant base)</li> <li>♦ Enabling ICT platform</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Streamlined operations and improved efficiencies</li> <li>— Increased activity</li> </ul>   |
| <p>Operators</p>   | <ul style="list-style-type: none"> <li>♦ South African</li> <li>♦ International</li> </ul>                       | <ul style="list-style-type: none"> <li>♦ Opportunity to be involved in design and finalisation of governance structure</li> <li>♦ Government support</li> <li>♦ Demonstrated demand from catchment area</li> <li>♦ Multiple revenue streams</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Revenue opportunities</li> <li>— Limited risk</li> </ul>   |

| Beneficiary category            | Impact area  | Nature of benefits   |
|---------------------------------|--|--|
| Trade Zone tenants              | <ul style="list-style-type: none"> <li>◆ KZN</li> <li>◆ Rest of South Africa</li> <li>◆ International</li> </ul> | <p><i>In addition to DTP user benefits:</i></p> <ul style="list-style-type: none"> <li>◆ Streamlined/direct access to runway</li> <li>◆ Potential for bonded manufacturing</li> <li>◆ Clustering opportunities</li> <li>◆ Competitive rental, lease rates and utilities</li> <li>◆ Attractive office environment</li> <li>◆ Problem-solving / government facilitation one-stop shop-permits, licensing etc.</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Further reduction of time to market and capacity for rapid response</li> <li>— Greater quality and competitiveness - opportunity for differentiation</li> <li>— Further reduced landed product costs for export-oriented companies that rely on imports</li> </ul> |
| Leisure and business travellers | <ul style="list-style-type: none"> <li>◆ Local</li> <li>◆ Domestic</li> <li>◆ International</li> </ul>           | <ul style="list-style-type: none"> <li>◆ Improved access to domestic and international flights</li> <li>◆ Diversified retail and service options</li> <li>◆ Improved quality of service (both air services and wider passenger terminal)</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Greater efficiency and quality of passenger experiences</li> </ul>  |
| Tourism service providers       | <ul style="list-style-type: none"> <li>◆ KZN</li> <li>◆ Rest of South Africa</li> </ul>                          | <ul style="list-style-type: none"> <li>◆ Increased international visitor numbers</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Increased business opportunities</li> </ul>   |
| Citizens                        | <ul style="list-style-type: none"> <li>◆ KZN</li> <li>◆ Rest of South Africa</li> <li>◆ SADC</li> </ul>          | <ul style="list-style-type: none"> <li>◆ Increased economic activity</li> <li>◆ Ad hoc access to express freight</li> <li>◆ Wider infrastructure development</li> <li>◆ Convenient transport, retail and business services</li> </ul> <p><b>Resulting in:</b></p> <ul style="list-style-type: none"> <li>— Job opportunities</li> <li>— Poverty alleviation</li> <li>— Access to infrastructure</li> </ul>   |