



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA



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Motherwell Nodal Economic Development Profile

Eastern Cape

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Section 1: Introduction

1.1 Purpose

This document is intended to serve as a succinct narrative report on the Motherwell Nodal Economic Development Profile.¹ The profile report is structured to give digestible, user-friendly and easily readable information on the economic character of the Motherwell Urban Renewal Programme (URP).

1.2 The Nodal Economic Profiling Project

In August 2005, in a meeting with the Urban and Rural Development (URD) Branch,² the minister of Local and Provincial Government raised the importance of the dplg programmes playing a crucial role in contributing to the new economic growth targets as set out in the Accelerated and Shared Growth Initiative of South Africa (ASGISA). He indicated that an economic development programme of action (PoA) for the urban and rural nodes needed to be developed.

In response the URD branch developed a *Programme of Action for Building Productive and Sustainable Nodal Economies* in September 2005. The PoA is intended to stimulate economic growth and development in the poverty nodes. It is important to understand the economic potential of the nodes; to identify opportunities for public and private sector investment; to identify barriers and constraints to economic activity within the nodes; to acknowledge the recommendations on strategic interventions for improving the nodal business climate, and the institutional recommendations for implementation.

Three high level deliverables form the core of the PoA, namely:

- (a) Nodal Economic Profiles (in which information such as demographics, institutional capacity, potential economic interventions, space economy, competitiveness profiles and so on, is contained).
- (b) the Nodal Investment Atlas (a compendium of public and private sector investment opportunities).
- (c) the Nodal Economic Development Support Agency (recommendations and proposals).

In order to fund the PoA deliverables, various development partners were approached. The Business Trust believed in the credibility of this initiative, and funded it through the Community Investment Programme (CIP). Nonetheless, it needs to be pointed out that the Nodal Economic Profiling Project is a government-based project intended to raise the importance of productive and sustainable nodal economies.

¹ Information is sourced from a detailed PowerPoint profile of Motherwell.

² The Urban and Rural Development Branch is one of the deputy director-general divisions within the dplg.

Section 2: An Overview of Motherwell

2.1 Administration

Motherwell area consists of 16 neighbourhoods and forms part of the Nelson Mandela Metropolitan Municipality. Motherwell is located approximately 20 km from Port Elizabeth, 3 km from Coega and 20 km from Uitenhage.

2.2 Spatial information

Sub-areas

- Motherwell is positioned between the industrial/commercial areas of Uitenhage, Coega and Port Elizabeth, although access to those centres remains a challenge.
- Motherwell comprises 13 neighbourhood units referred to as NUs 1 to 12 and NU 29, as well as the neighbourhoods known as Ramaphosa, Ikhamvelihle and Steve Tshwete Village.

Transportation

- Motherwell is surrounded by what amounts to a ring road, from which arteries link it to Uitenhage, Coega and Port Elizabeth.
- The Metrorail network does not at present include a station in Motherwell.

Location

- Motherwell is 3 km from the Coega Industrial Development Zone.
- The main access route to the Greater Addo Elephant Park passes Motherwell.
- Uitenhage is approximately 20 km from Motherwell.

2.3 Socio-economic information

The socio-economic character of Motherwell could be described as follows:

Population

- Approximately 187 680 people inhabit the area, which covers 35,5 km². The population is 100% urban. It has a population density of 5,2 persons/km².
- Most of the households consist of four to seven people.
- Approximately 60% of the population are younger than 29 years of age which points to the need for youth development programmes in stimulating nodal development.

Infrastructure and services

- Supply of basic services is poor with 90% of households being without electricity, 91% without piped water and 90% without waste removal.
- Motherwell has four clinics and one health centre, with 41 fixed clinics and 15 mobile clinics servicing the surrounding area.

Income and employment

- Over 76% of the population live below the poverty line.
- Of those employed, 25% of the population earn less than R19 200 per annum.

Education

- Approximately 9% of the residents do not have any education, with varying levels of education among the remaining 81% of residents.
- Tertiary education attendance levels are very low in Motherwell accounting for only 4% of the population. Although access to tertiary education is low, people with higher education seem to remain in the node.
- The average literacy rate ranges from 16% to 38,6%; 6% of the population are functionally illiterate and 50,7% have no life skills training.
- There is a challenge to cater for children from neighbouring areas that lack school facilities.

Health care

- The per capita health expenditure is R129 per annum.
- The number of patients seen per nurse per day is 33.
- There is strong prevalence of HIV and AIDS in Motherwell with 27% of the population infected.

2.4 Municipal funding and budget breakdown

The largest share of planned spending has been used to provide infrastructure and close the services backlog, with donors playing an important role. The Swedish International Development Agency (SIDA) has provided R13,9 million in funding. The European Union supports the Motherwell Urban Renewal Programme (MURP) programme via the Sector Policy Support Programme (SPSP) with R120 million, payable in four performance-dependent tranches.

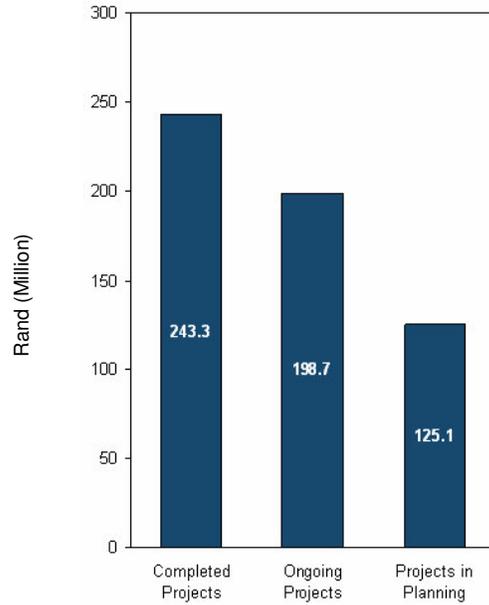


Figure 2.4.1: Motherwell programme budget: 2003-2005

2.5 Key remarks about Motherwell

The nodal overview of Motherwell highlights the following development challenges:

- The viability of Motherwell is limited owing to very low commercial and residential densities within the area and considerable distances to other urban hubs.
- The portfolio of skills possessed by residents does not facilitate the accruing of benefits generated by Coega or in the growing sectors of the Nelson Mandela Bay Municipality's (NMBM) economy.
- It is anticipated that current funding is insufficient to address the backlogs in the targeted timeframe of the URP programme.
- Given its other priorities, Motherwell struggles to capture the attention of policy-makers and officials in offices across the municipality.
- Maintenance costs of both existing and new infrastructure are expected to burden the city's budget heavily in the long term.

Section 3: The Economy of Motherwell

The description Motherwell's economy has been broken down into the sectoral contribution to GDP (output) and to employment.

3.1 Sectoral contribution to GDP

The GDP of the node is lower than that of the province and is decreasing as shown in the graph in Figure 3.1.1 below.

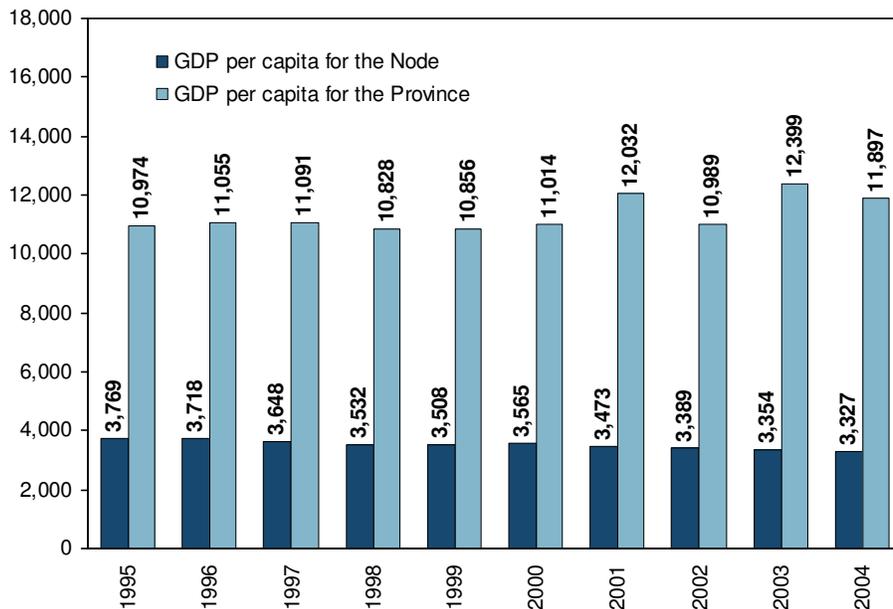


Figure 3.1.1: GDP per capita 2004 (Constant 2000 prices)

3.2 Sectoral contribution to employment

The general government services sector employs 28,1% of employed people in Motherwell, while the community, social and personal services sector employs 18.6% of the employed population, and manufacturing employs 18.5%. Agriculture, forestry and fishing employs only 1,2%, and the transport and communication sector 1,7% of the employed population. In terms of jobs created, the government and community services sectors are the most significant.

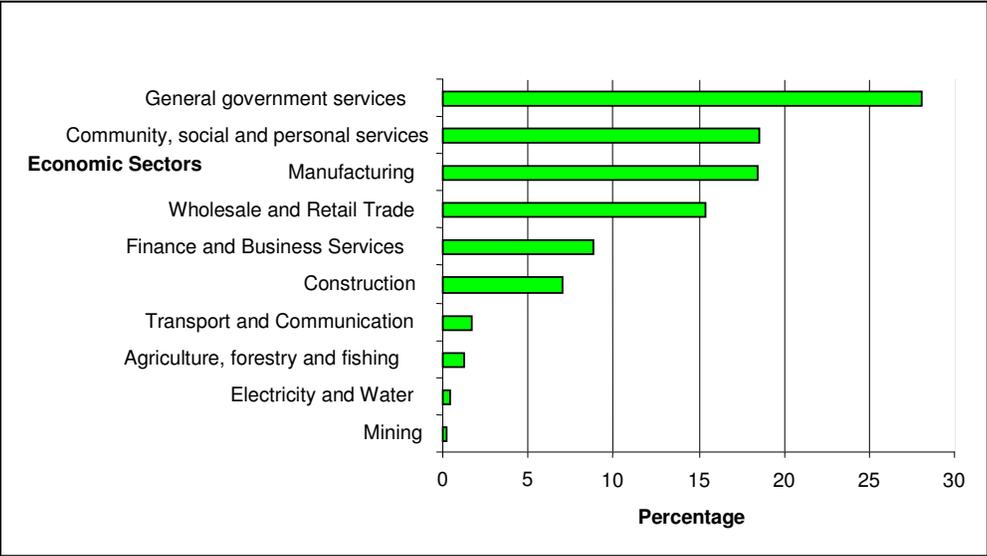


Figure 3.2.1: Contribution to employment by sector: 2004

Section 4: Enabling Environment

This section is broken down into two parts focusing on governance and development projects.

4.1 Governance

Motherwell consists of 16 neighbourhoods and is urban in nature. The MURP falls under the Strategic Programme Unit, which answers to the Municipal Manager. There is an Executive Mayor, Municipal Manager, Management Committee, SPU Steering Committee, Strategic Programme Unit, SPU Inter-departmental Committee, Helenwale Urban Renewal Programme, Project Consolidate, Expanded Public Works Programme, Motherwell Stakeholders Community Forum, Motherwell Urban Renewal Programme and MURP Steering Committee.

The MURP has three core programmes: Physical Cluster Co-ordination, Skills and Institutional Co-ordination and Local Economic Development. There are the Strategic Programme Manager, DBSA Project Manager, EU Tech and Operations Co-ordinator, EPWP Co-ordinator, Project Consolidate Co-ordinator, MURP Co-ordinator, Social and Economic Cluster Co-ordinator, Infrastructure and Environment Cluster Co-ordinator, Physical Cluster Co-ordinator, Skills & Institutional Co-ordinator, Local Economic Development Co-ordinator Environmental CLO, Social Facilitator, SMME Coordinator and CLOs.

4.2 Development projects

Some development projects are tabled below although a considerable number of further projects are completed, underway or in planning.

Project	Description	Status	Value
Motherwell Integrated Transportation Project	The Motherwell Transportation Project will include rail linkage to the area from Gauteng. The existing line from Port Elizabeth to Gauteng will be upgraded and diverted to run through the centre of Motherwell. The Transportation Project will also increase connectivity to Coega, the Khulani Corridor and Addo corridor	Limited progress	R230 million
NU2 Sports Stadium	Upgrade of the existing stadium including additional stands for 4 000 people, change rooms, storage facilities and other infrastructure	In progress	R32,7 million
Ploughing fields		In progress	R7 million
Xhosa Cultural Village	Construction of a tourist attraction centre in Motherwell exhibiting Xhosa traditional and cultural activities, including arts, crafts and other articles of traditional heritage	Investigation	R14 million (down from R67 million)

Project	Description	Status	Value
Environmental Pilot Programme	Open space management and greening, a wheel bin household refuse collection system and integrated environmental management	In progress	R30 million
Small Business Incubator	Including capacity-building programmes for SMMEs in business management, funded by Standard Bank	In planning	R82 million
Employment centre	Construction of an employment centre providing support such as unemployment database development, job linkages, placement and training of unemployed people		R9 million
Stock farming	To stimulate the growth of stock owners and farmers in the area		R3 million

Section 5: Economic Growth and Investment Opportunities

Motherwell is faced with three growth issues, namely residential life, commercial activity and city linkages. These three themes are discussed below.

5.1 Residential life

Residential development has been identified as an opportunity for Motherwell District. Motherwell is completely residential in nature and over 95% of Motherwell's 33 933 erven are zoned as residential. In addition, there are an estimated 2 700 (or fewer) shacks on municipal land and school property. Although 88 ha of land in old Motherwell (4,5%) was zoned for retail, over a 20-year period only 21 ha (1,1%) have been developed. About 30% of all formal houses in Motherwell are low-cost houses and have been built (or are being built) using state subsidies.

By the end of 2007/2008, 10 442 low-cost houses will have been built in Motherwell and Well's Estate. Approximately 91% of formal houses are not connected to the water and sewerage networks, 43% of the most heavily used paths and roads (by length) are asphalt or concrete, 23% of streets (by length) have street lights, and there are nearly 130 high mast lights. There is ample electricity and water for all current and envisaged housing developments and for any plausible retail or light industrial development.

Ten projects have been built or are in the process of being erected, amounting to 10 400 houses in Motherwell and Well's Estate, with a further 10 500 to be built in Motherwell's north-west area.

New developments have resulted in reduced shack dwelling, but have tended to be on the periphery of the township and have led to de-densification.

Through 33 projects, approximately R300 million has been spent on upgrading housing and public infrastructure in Motherwell. However, Motherwell faces several challenges, including:

- Density levels
Residential densities of 19 units per ha are about one-third of what is considered the threshold for sustainability. The problem arises from a planning philosophy premised on a 'one house per stand' model and the large areas of open, undeveloped land. This results in increased infrastructure and services costs, and decreased viability of commerce and public transport.
- Topography
Motherwell is very flat, making the management of storm water difficult. In addition, developments to the north-west of Motherwell require the building of additional reservoir capacity, as the present reservoir is too low.

Despite the high level of construction activity in the low-cost housing market, there appears to be no construction activity in other segments of the market. The absence

of developers from the market needs to be understood if Motherwell's housing market is to flourish.

5.2 Commercial activity

Commercial development has been identified as an opportunity for Motherwell. Formal business is dominated by retail and services, and informal business even more so. Business in Motherwell currently taps only the spending available in the area, so the residents' high poverty levels mean that business turnover is very low.

The majority of one-person businesses are either owner-run stores or family businesses with work sharing. The businesses therefore do not create employment and the business turnover is often the only household income. Small-scale employers do not create sufficient income to create long-term employment. Many may have a limited number of temporary assistants, but a small monthly payroll. The bulk of permanent employment is created by high turnover businesses. Employment creation need not be considerable (e.g. Midas employs five to 10) people, but jobs need to be more secure.

The Motherwell Shopping Centre is not centrally located and is surrounded by empty land, resulting in low accessibility for most residents. There is a taxi rank at the centre, but it is not adequately utilised. Tenants must compete with informal traders in the immediate area, including its parking lot. Approximately 10% of gross leasable area (including visible store frontage) is let to public services or NGOs, like SAPS and loveLife, reflecting the difficulty in attracting national brand tenants and creating the impression that the centre is not successful. The average tenure of businesses is short, as they do not achieve sufficient turnover to finance the rent. Residents prefer shopping in the metro CBD.

The density levels are extremely low in Motherwell but it is difficult to access commercial centres. A considerable percentage of spending leaves the area, even though the distance to the CBD is considerable and large tracts of commercial land lie dormant. Most developed commercial land is occupied – the main shopping centre has 98% occupancy and the centres are clean and of medium appeal. The main commercial hub is not equidistant to all areas and poor transport linkages limit opening hours. There is lack of attention to improving business. The community is very poor and has low available spending. Many product categories are reaching saturation and only a small number of opportunities remain. A number of national brand anchor tenants attract spending, especially in grocery retail.

5.3 City linkages

Port Elizabeth is the core economy of the region and integration is crucial for socio-political reasons, as well as employment opportunities. Coega lies immediately adjacent to Motherwell and it is expected that a large number of employment opportunities will be created over the next 30 years. Uitenhage offers employment and some see it as an area to which Motherwell should be linked. The table below identifies the physical and virtual linkages.

Although it seems unlikely that the Khulani corridor will lead to significant development in Motherwell, it does seem likely that it will positively affect the development of communities in the KwaZakehle/New Brighton area. From the city's point of view, Motherwell is just one of a range of priorities, while it is not strategically feasible to focus all resources on the resolution of the development challenges of only one area.

Physical and virtual linkages with Port Elizabeth, Coega and Uitenhage

	Physical Linkages	Virtual Linkages
Port Elizabeth / CBD	<ul style="list-style-type: none"> ● Context: Motherwell is physically disconnected from the CBD ● Problem: Getting to and from work/education/shopping is time-consuming and expensive ● Potential solution: A transport link 	<ul style="list-style-type: none"> ● Context: Motherwell's residents struggle to access capital, training and markets ● Problem: Marginalisation means that special efforts are needed to ensure development ● Potential solution: Development attention and business incubation
Coega	<ul style="list-style-type: none"> ● Context: A major industrial development – Coega – is on Motherwell's doorstep ● Problem: None ● Potential solution: None required 	<ul style="list-style-type: none"> ● Context: Coega will create employment and training opportunities ● Problem: Motherwell's residents lack the skills Coega needs and are not preferred providers ● Potential solution: Increase Coega's use of Motherwell's residents
Uitenhage	<ul style="list-style-type: none"> ● Context: Uitenhage has a relatively strong economy and is 20 km from Motherwell ● Problem: Transport and physical links are weak ● Potential solution: Development of transport links and corridor 	<ul style="list-style-type: none"> ● Context: Uitenhage's economy is dominated by vehicle manufacture ● Problem: Motherwell's residents lack the appropriate skills ● Potential solution: Training of Motherwell's residents

The investment in Coega's development is one of the largest individual investments in the government's portfolio. The project comprises two elements: a new deep-water port and industrial development zone (IDZ) on 11 500 hectares, and 13 industry clusters being established within the IDZ. The precise impact on the local and national economy depends on the character of the investments that Coega attracts. It is expected, however, that many thousands of jobs will be created directly and through the multiplier effect. It is unclear what skills these jobs will require.

The current draft spatial development plan identified the empty land between Motherwell and Uitenhage as room for the areas' future growth and expansion. Uitenhage offers considerable employment potential, owing to its extensive automobile industry. However, at present, employment links with Motherwell are weak, with only 2% of Motherwell citizens travelling to Uitenhage for work or educational purposes on a daily basis. A direct transport link between Motherwell and Uitenhage might increase access in the short term, and current land development of Uitenhage and Motherwell indicates that the areas are indeed moving closer. The Swartkops River, which is ecologically sensitive, prevents the integration of Motherwell and Port Elizabeth.

The spatial development plan would imply increased urban sprawl in Nelson Mandela Bay Municipality; would occur over a very long period; and would not be compatible with sustainable human settlement planning objectives. A corridor development first requires that a narrow 13 km strip of land be populated, which is a major challenge since Port Elizabeth's growth is largely towards the south and west. It is likely, though, that deliberate development of a Motherwell-Uitenhage corridor would lead to the de-densification of NMBM.

Section 6: Summary

Motherwell is located approximately 20 km from Port Elizabeth, 3 km from Coega and 20 km from Uitenhage. The area has between 150 000 and 400 000 residents. It is characterised by very high long-term unemployment and high levels of poverty. The area is the focus of an urban renewal programme, which is supported financially and technically by the European Union.

Motherwell is overwhelmingly residential in character and its residents are extremely poor. The area is relatively well supplied with housing and municipal services, but low density makes the sustainability of the settlement doubtful, despite recent investment. Although a housing market exists, a number of constraints relating to the security of property rights need to be addressed.

There is commercial activity within Motherwell, but it is seldom economically viable. Owing to low density levels, businesses struggle to survive in the poverty-stricken area, which is characterised by low spending. In addition, commercial activities in Motherwell have to compete directly with the more appealing facilities in the city.

Although Coega provides the greatest potential for the economic upliftment of Motherwell, linkages to the Port Elizabeth CBD are important for socio-political reasons. Coega linkages will have to focus on increasing skills development since Motherwell's residents do not have the skills profile needed. CBD linkages will need to focus on improving access, as well as ensuring that the municipality plays a greater role in development.

The following potential sources for economic growth have been identified:

Short term	Long term
<ul style="list-style-type: none"> • Coega, as a major development zone, brings with it considerable employment potential • Owing to low density and income levels, commercial growth will be low for the immediate future • Skills are urgently required to ensure that residents can access employment opportunities in the metropolitan area and in Coega <ul style="list-style-type: none"> o Decrease in cost and increase in efficiency for irrigation o Spin-off benefit: encourage basic tourism development 	<ul style="list-style-type: none"> • As accessibility to the CBD increases and a new access road to Uitenhage is constructed, further opportunities outside Coega may arise • As density increases and income levels rise, the commercial potential of the node may increase, resulting in job creation • Skills are urgently required to ensure that residents can access employment opportunities in the metropolitan area

Solutions to constraints and investment opportunities include the following:

- The housing market is beginning to tick over, but concerns about the enforceability of property rights remain.
- The area's business climate is poor and more work needs to be done to address this problem.

- Much more attention needs to be paid to increasing residential densities.
- Given Motherwell's proximity to Coega, attention should be paid to maximising development potential by (a) focusing skills training in Motherwell on the skills needed in Coega; and (b) giving its residents preference in allocating employment from Coega.

All these developments require involvement of the key stakeholders, namely:

- Provincial government
- Planners and housing officials
- Coega, the dti, the Department of Labour and the SETAs
- Community leaders, politicians and law enforcement agencies (to ensure protection of property rights and buy-in for this).