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Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

BUSINESS TRUST

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Alexandra Nodal Economic Development Profile

Gauteng

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Section 1: Introduction

1.1 Purpose

This document is intended to serve as a succinct narrative report on the Alexandra 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 Alexandra 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 Alexandra.
2 The Urban and Rural Development Branch is one of the deputy-director general divisions within the dplg.

Section 2: An Overview of Alexandra

2.1 Administration

Alexandra falls within Greater Johannesburg in Gauteng, and falls under the administration of the Johannesburg Metropolitan Municipality.

2.2 Spatial information

Location
Alexandra is located in the north-eastern suburbs of Johannesburg on the banks of the Jukskei River. It is situated on prime land within one of the key growth areas of Johannesburg. It is adjacent to Sandton, the financial capital of Southern Africa, and is bordered by key roads and highways. The township is 100% urban. Its central location ensures access to jobs and it is well linked to the Johannesburg Metro. Alexandra includes the areas of Old Alex, Marlboro, Setswela, East Bank, Far East Bank, Tsutsumani and River Park.

Transportation
- The greater Alexandra area is adjacent to key main roads and to the primary highway linking Johannesburg and Pretoria.
- It is bordered by the N3 in the east, Marlboro Drive in the north, the M1 in the west and Corlett Drive and 9th Road in the south.
- Few people in Alexandra own vehicles; most of the population make use of taxis as their primary means of transport.

Terrain and natural resources
- Alexandra is an urban township that is characterised by a high population density.
- The Jukskei River runs through the area separating the node into eastern and western regions.
- Houses are built in the Jukskei's tributaries and on its flood plain, creating flood risk in summer.
- Housing in the area is largely formal (69%), while there is some informal housing (31%).

2.3 Socio-economic information

The socio-economic character of Alexandra is described below.

Population
- The population is estimated at 328 579 (Alexandra Renewal Project [ARP], 2005) persons in an area that covers 7,6 km^2. The population is urban. The population density is 43 234 persons/km^2.
- Just under a third of the population (31%) resides in informal dwellings, while 69% live in formal dwellings.

- Service provision is very high. The breakdown of households without access to basic services is as follows:
  - Electricity: 29% of households do not have electricity.
  - Piped water: 14% of households do not have access to piped water. This is defined as having running water within 200 m of the home.
  - Waste removal: Only 1% of households do not have waste removal services.
  - Telephones: 59% of households do not have access to telephones. Having access to a telephone is defined as having a landline or cellular phone at the household's disposal.
- Households in the area predominantly consist of one to three persons (70%), while 27% live in households of four to seven persons.
- Fifty-eight per cent of the population are younger than 29 years of age indicating that key focus areas for youth development are a priority within Alexandra.
- The female-to-male ratio is skewed to 53% male and 47% female, while male-headed households are in the majority at 69%.
- Zulu (28%) and Sepedi (24%) are the languages most commonly spoken in the node.
- Over one-third (35%) of the population are unemployed, with a further 22% recorded as being not economically active.
- The majority of households in Alexandra live below the household subsistence level; nodal income levels are well below the provincial and the national average. Household income is low, with 40% of households earning less than R9 600 and 64% of households earn less than R19 200 per annum.
- Household earnings below the subsistence line accounts for over 60% of households. This is directly related to the high unemployment rate of 57%.

Employment

- Only 43% of the population aged 15 to 65 years are employed, while 64,2% of households live below the household subsistence level.
- The wholesale and retail trade sector account for most of the employment in the area (20,4%), although the public sector is also a major source of employment (12,8%).
- Employment growth between 1995 and 2004 averaged 1,7%, while the employment growth from 2000 to 2004 averaged 2,1%.

Education

- Functional illiteracy is relatively low, as only 10% of the population have no schooling, while 14% have some primary/secondary schooling and 26% have obtained a matric qualification. Four per cent of Alexandra's population have obtained a higher education qualification.

Health care

- The per capita expenditure on health care in Alexandra is R342 per annum. The number of patients seen per nurse per day is 21,3. HIV prevalence is recorded at 30% of all patients tested at antenatal clinics.

2.4 Municipal funding and budget breakdown

The Alexandra Renewal Project allocates the highest share of its budget to housing as can be seen from the graph below.

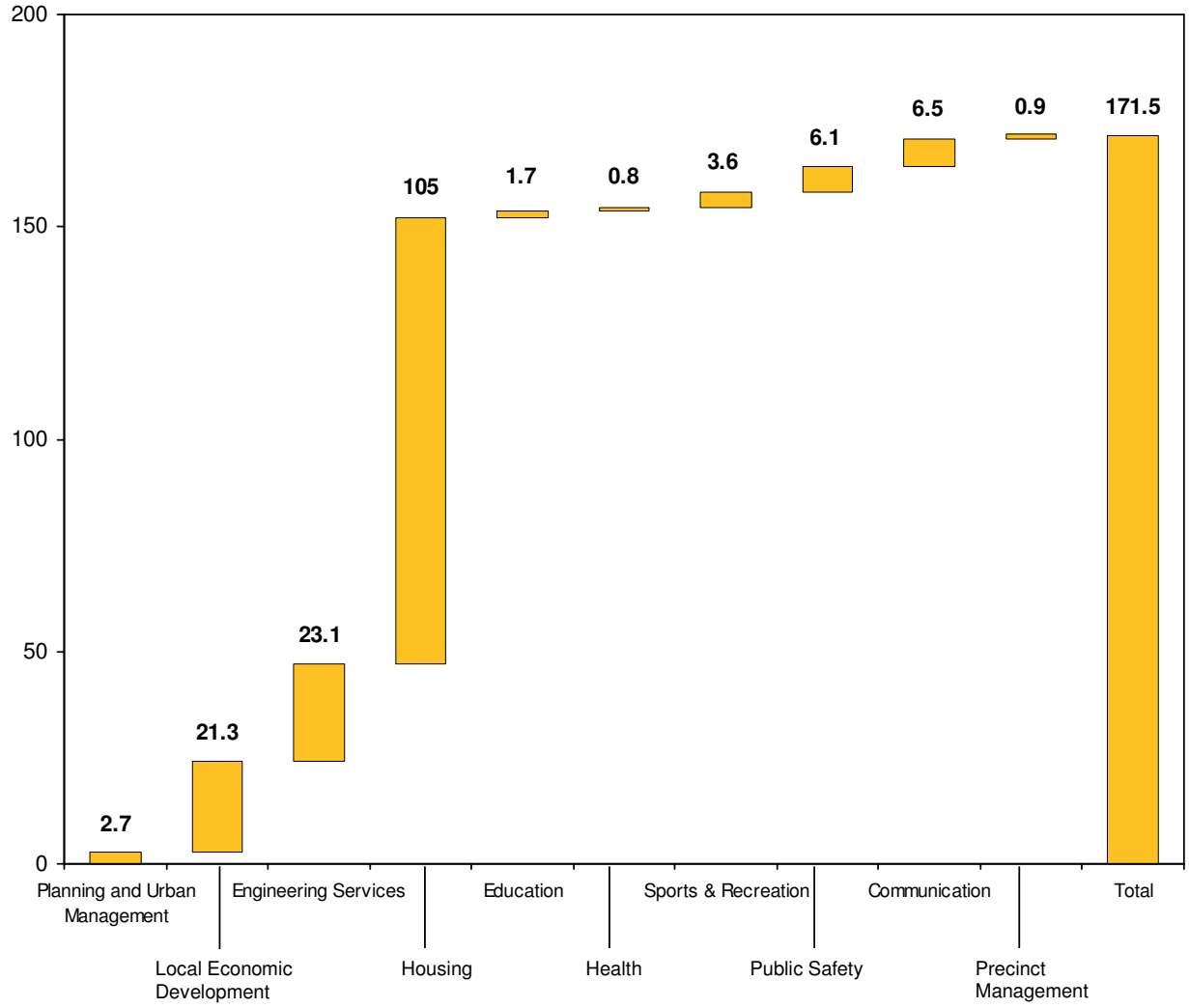


Figure 2.4.1: Alexandra Urban Renewal Project Budget Allocation: 2006/07

2.5 Key remarks about Alexandra

The nodal overview of Alexandra highlights the following development challenges:

- Access to basic services is good, although electrification lags behind provision of other services.
- The youth, which represents the majority of the nodal population, points to the need for youth empowerment.
- Alexandra's economy is intrinsically linked to Johannesburg's, with the majority of the employed population working within the Johannesburg Metro.
- Employment rates (43%) are higher than the urban node and national averages, namely 33,2% and 33,7% respectively.

- Low incomes are evident, which is due to the sectoral split of employment opportunities.
- Poverty is widespread, leading to a high dependence on welfare grants.
- HIV and AIDS infection levels are high, causing significant economic and social consequences.
- Population density has placed a massive strain on municipal services.
- Crime in the node is cited as a major concern for the majority of residents.

The following table lists renewal projects with a budget over R10 million. Key projects include infrastructure upgrades: electrification master plan, housing development, sports field creation and special schooling facilities.

ARP project list

Project	Description	Status	Value (R)
Redevelopment of Pan Africa (Putco Land)	Redevelopment of Putco Land and multi-nodal transport area, development of retail facilities	Project delayed due to late payment	16 349 823
Construction of pedestrian bridge	Improved safety and pedestrian access across Jukskei River	Completed	11 902 860
Construction of bridge: Vasco da Gama	Circular traffic route established	Project on track, 20% of work completed	13 449 319
Implementation: Electricity master plan	To assist and reduce "black outs" as well as to ensure the theft of electrical supply is reduced, eliminated and controlled; to improve the safety of the community from illegal and bad connections; to assist local contractors under the Expanded Public Works Programme (EPWP) banner to participate in the project	To date 18 000 household connections	12 000 000
Far East Bank - Ext 9 (K206)	Delivery of 286 self-sustainable residential units	Six tenders received and adjudicated	13 050 000
Erven 3359 & 3360 Far East Bank (151 flats)	The delivery of a sustainable, affordable rental accommodation establishment that is adaptable to individual circumstances; to provide a living environment that is safe and secure, and lends itself to being well managed that will be handed over to Johannesburg Social Housing Company (JOSHCO) to manage	Earthwork 50% complete. Three tenders received and adjudicated	30 958 219
Nokuthula Special School: Infrastructure Phase 1	Resource Centre to assist learners with challenges to learning (physical and intellectual) to prepare them to access mainstream schooling as well as prepare them for the world of work	Relocation of households problematic due to unavailability of alternative accommodation	14 976 358
School Cluster Six Rehab: Gordon & Alexandra	Rehabilitation of Old Skeen to house Gordon in one facility, the extension of Alexandra High school to the current Gordon site and incorporation of shared sporting facilities	Tender adjudication completed. Contract appointed. Site hand over in August 2006	10 204 067
ALTREC Sports Facility: Upgrading & extension	Completed and functional sporting facility	Project on track	14 264 467

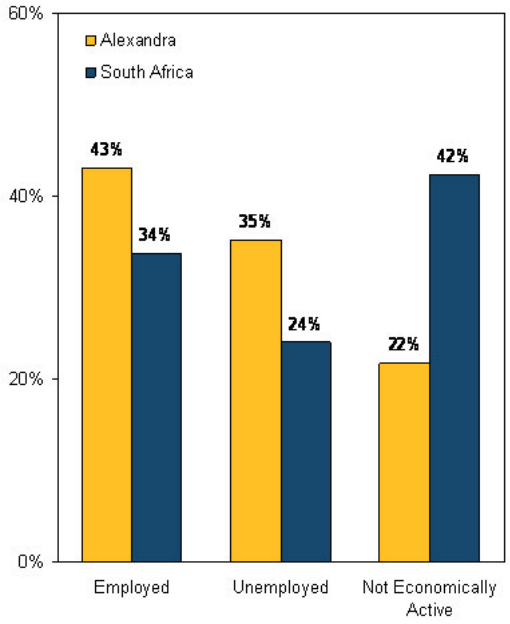
Source: Alexandra Renewal Project Website

Section 3: The Economy of Alexandra

The description of the workforce and economy of Alexandra is provided at four levels: occupation class and employment status, skill level and sectoral employment.

3.1 Occupation class

Employment status



Occupation/Training 2005

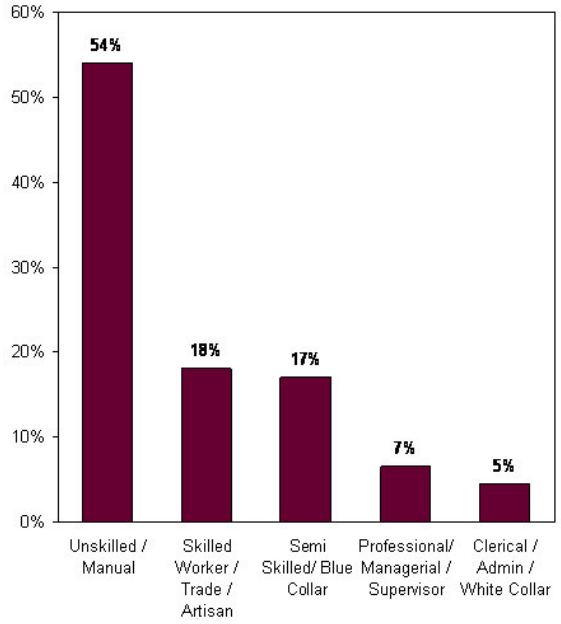


Figure 3.1.1: Employment status and occupation class in the node

Employment in Alexandra (both full-time and part-time employment in the formal sector) is recorded at 48%. Total unemployment is 29% with 27% indicating that they are actively seeking work and only 2% not actively doing so. Most of the employed perform unskilled or manual labour (54%), 18% of the employed are skilled workers and 17% semi-skilled. Only 7% of the employed are in professional or managerial positions and 5% in clerical or administrative positions.

3.2 Geographic location of employment

As the following graph indicates, the majority of employed residents work in Alexandra (23%), followed closely by 21% in Johannesburg, 20% in Sandton and 14% in Greater Alexandra.

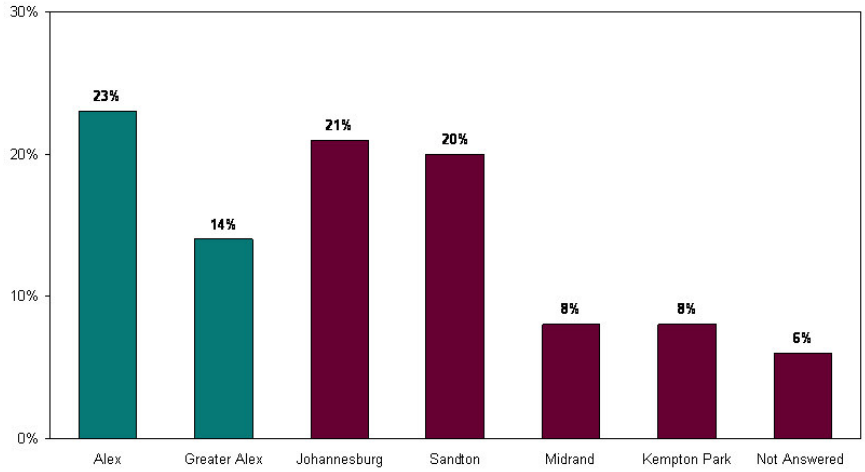


Figure 3.2.1: Graph showing geographic location of employment

3.3 Sectoral contribution to employment

The wholesale and retail sector is the single biggest employer of Alexandra residents, followed in almost equal proportions by community services, manufacturing, financial and business services, and the construction sector. There is some correlation between the sectors that generate the most employment and their ratio contribution to GDP. This is indicated below in the following graph.

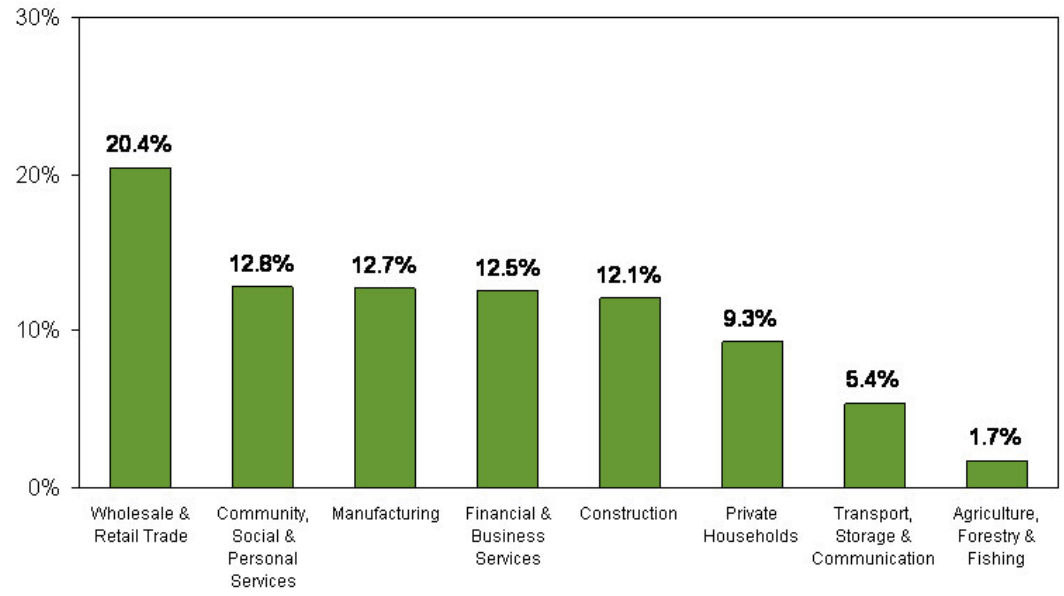


Figure 3.3.1: Formal employment by major sector: 2001

3.4 Share of GDP by sector

Manufacturing and retail account for the largest share of nodal GDP. In addition to the finance and business services, these sectors show the most promising growth.

Manufacturing, which accounts for only 12,7% of employment in Alexandra, generates a quarter of the node's GDP. Wholesale and retail employment and GDP impact are the most closely matched, at 20,4% and 24% respectively.

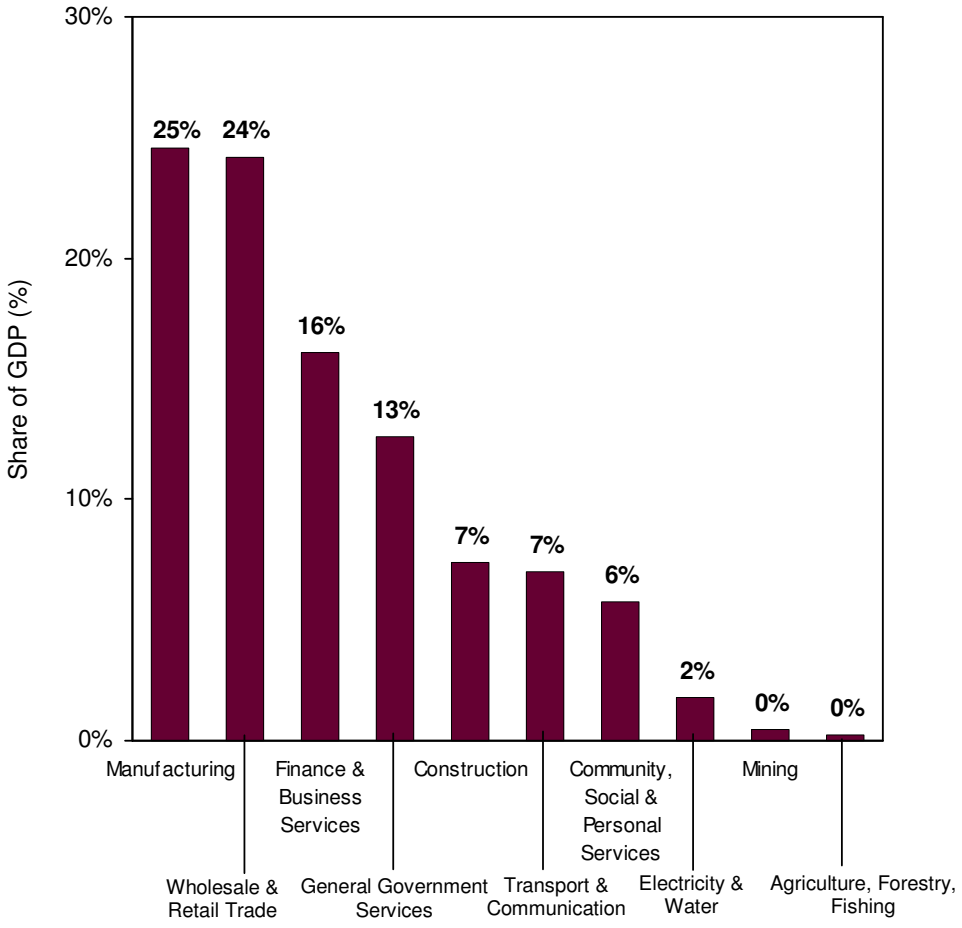


Figure 3.4.1: Share of GDP by sector: 2004

3.5 Sectoral prioritisation

The sectors that have displayed the most growth over the period are also large employers. The aim should be to keep growing GDP and employment in these sectors. To this end, Johannesburg's IDP and the Alexandra Renewal Programme (which includes a LED Strategy and Summit Review) focus and place attention on these sectors.

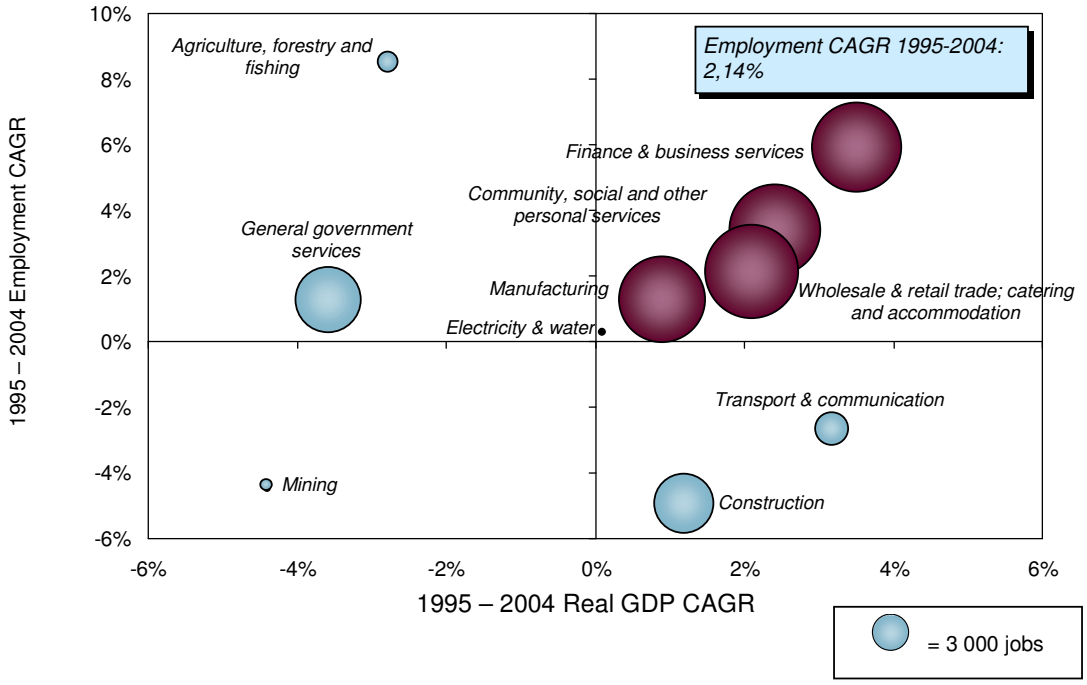


Figure 3.5.1: Growth analysis of Alexandra economic sectors

Section 4: Enabling Environment

The Alexandra Urban Renewal Project (ARP) is a comprehensive urban renewal strategy that encompasses aspects of local governance, housing, infrastructure delivery and social cohesion.

4.1 Existing structure

The existing structure of the ARP is shown below, and indicates a strong political structure. However, the ARP is currently being restructured and this organogram will probably change in the near future.

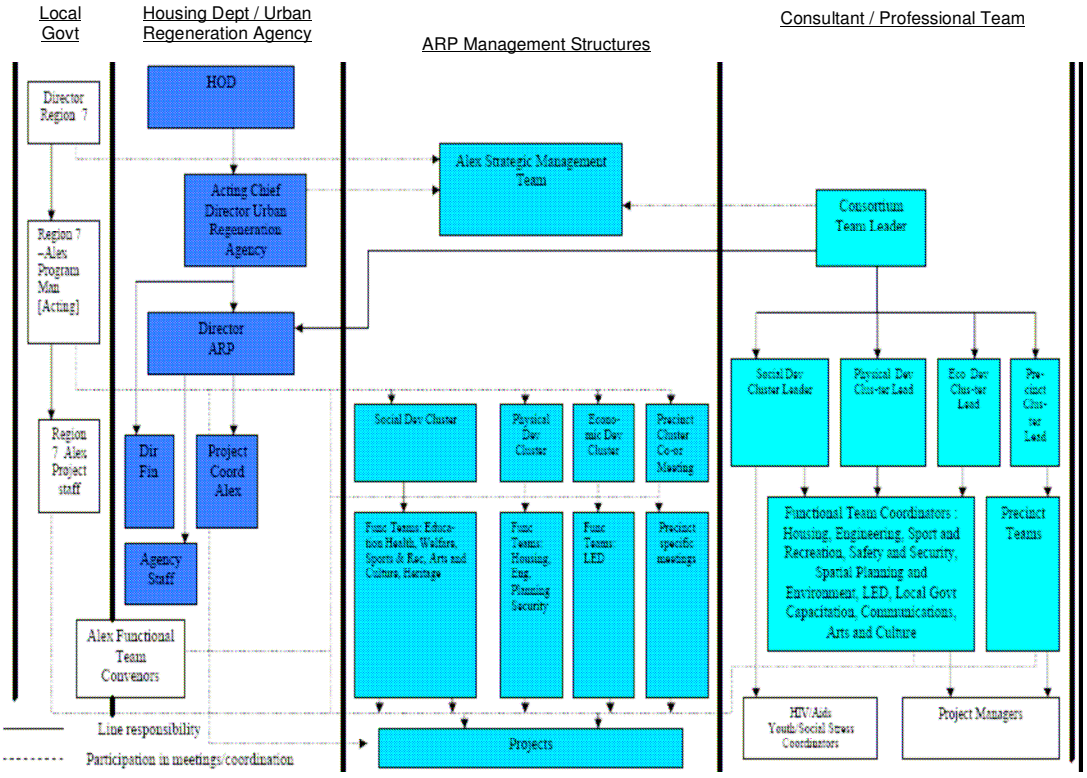


Figure 4.1.1: Organogram: project management structures, ARP

There are some serious constraints inhibiting Alexandra's urban renewal progress. The area is far too small for the construction of a traditional township or one designed around standard RDP housing. The constraints include:

- Old Alex is situated in an area of 2,3 km^2, and is home to approximately 75 100 households.
- Standard RDP houses are on 250 m^2 plots, implying that there is space for 9 200 units in Old Alex, even without allowing for roads, shops, schools, the Jukskei's flood plain and tributaries, etc.

- In order to renew Alex using RDP houses, approximately 90% of residents would have to be moved.
- Greater Alex is extends over 7,6 km^2, and is home to about 95 000 households.
- Alexandra could accommodate perhaps 20 000 standard RDP units, requiring the removal of 70 000 households.
- Even if low-cost housing densities are tripled and no new migrants settle in the area, Alexandra simply does not have the space to house all its existing residents in this way.

However, considerable planning has been undertaken.

4.2 Planned housing delivery for Alexandra

- Since 2002, 9 970 ownership units and 350 rental units have been built, the bulk of these outside of Greater Alex following relocations of households living along the banks of the Jukskei River.
- Currently, 1 940 ownership units and 865 rental units are under construction.
- There are 2 860 ownership units and 4 818 rental units in the advanced planning stages.
- There are 5 000 ownership units and 7 000 rental units in the preliminary planning phases.

4.3 Other quality of life issues

Investment in infrastructure and improving safety and security are raising the quality of life in Alexandra, but primary and secondary education are thought to be lagging. In addition, crime is seen as a deterring factor for settling in Alexandra. According to police statistics, there has been a dramatic improvement in the murder rate in Alexandra between 2001 and 2005, where improvements have far exceeded those of the province or the country. Crimes like robbery, rape and burglary have seen mixed results.

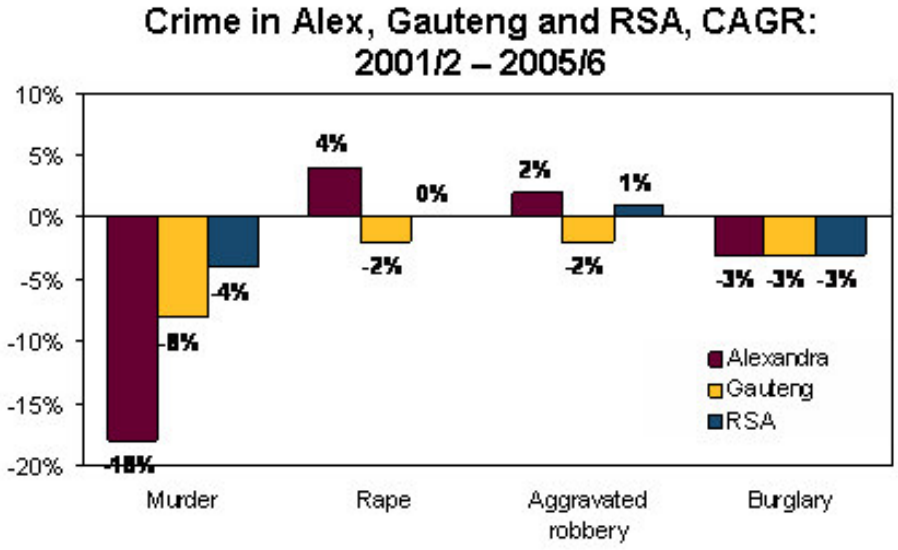


Figure 4.3.1: Summary of criminal activity in Alexandra, Gauteng and RSA

Section 5: Economic Growth and Investment Opportunities

The ARP cluster strategy is at the centre of Alexandra's growth and investment opportunities. By focusing on the complementary activities (inputs, downstream activities, sidestream linkages and support institutions), the ARP is enabling growth in Alexandra.

5.1 Motor services and transport

Cluster activities include supplying and distributing car parts in Alexandra and wider Johannesburg, trade testing for local mechanics and building a workforce of people in the auto services sector. The aim is for the members of this workforce to be able to get jobs in the wider labour market. One of the ARP's goals is to relocate Alex mechanics into nearby business areas in order to integrate them better into the sector as a whole. Other components of the cluster strategy include sending candidates on apprenticeship programmes.

5.2 Construction

The programme aims to create a workforce trained in the low-cost housing programme with the ability to move into the wider market, seeking to build successful construction businesses. Cluster initiatives include the following:

- Establishing a building materials hub and warehousing facility
- Opening a tender advice office, providing mentorship support and training to contractors.
- Seeking to ensure access through public sector procurement processes.

5.3 Tourism, catering and hospitality

Alexandra's central location and heritage create opportunities in the tourism and leisure space. The Alex Tourism Association is in the process of creating business linkages to Sandton and plans to benefit from the inflow of tourists that will be drawn to South Africa for the 2010 World Cup. A theatre is currently being built in the M1 hostel, and should contribute to tourism in the area. However, there is still a need for cinemas, restaurants and conference facilities in Alexandra.

Overall, it can be said that the ARP process has enhanced growth and investment opportunities in Alexandra.

The attractiveness of investing in Alexandra is detailed below. The most attractive factor is the spatial concentration of potential spenders, due to the high-density levels and accessibility of transport. Infrastructure and general environment are also viewed as significant positives for attracting potential investment.

	Criterion	Comment	Attractiveness
Spatial concentration of spending	Density levels	Density levels are extremely high	+
	Accessibility (public transport)	Commercial centres are easily accessible	+
	Distance to city and spending leaving area	Much spending leaves the area, particularly as competing shopping centres are so close	–
Infrastructure	Availability of commercially zoned land for development	Very limited zoned land is available for commercial development	–
	Availability of commercial space	Most commercially developed land is occupied; two new shopping malls are being developed	0
	Quality of commercial space	New malls will be clean and of a high quality	+
	Commercial space integration into town planning	Main commercial precinct is easily accessible and close to a transport hub	+
General environment	Levels of crime	Crime rates are high but may be improving	–
	Governance	Governance is good	+
Business opportunity	The extent of competition	Market is intensively served	–
	The income of the community	Community is very poor; low disposable income	–
	Remaining opportunities in the market	Several opportunities in the market have good potential	+
	National brands attract spending are active in area	Many national brands attract spending, especially in grocery and clothing retail	–

Figure 5.3.1: Evaluation sheet of commercial activities

Alexandra's geographic location – adjacent to Sandton and in close proximity to the rest of Johannesburg – makes the overall package more attractive. The long-term vision for Alexandra sees it as being fully integrated into a thriving development area, by filling in the existing road network. Progress has been made in forging the physical links between Alexandra and the surrounding sub-region. The Gautrain rail network will link the Johannesburg CBD to Pretoria and OR Tambo Airport. Apart from these three anchor stations, seven other stations are planned, including one at Marlboro, which will connect the township to the rest of Johannesburg and will be an important means of public transport to and from the city and Pretoria. However, the Gautrain's two key target segments are existing motorists and airport passengers – neither of which really apply to the majority of the Alexandra population, who are primarily mass transport commuters (bus or taxi).

These physical linkages are indicated on the map below.

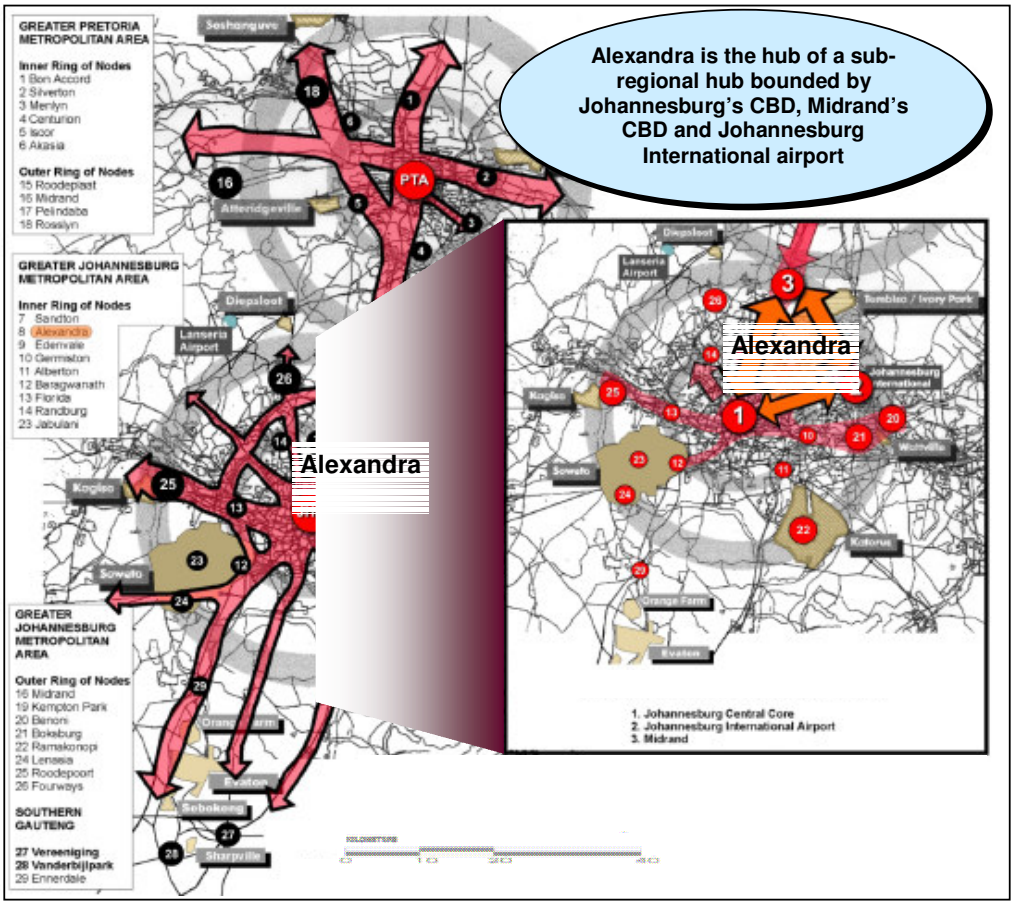


Figure 5.3.2: Alexandra's geographic position and physical linkages

Section 6: Summary

- Alexandra is a well-located township but there is enormous pressure on its limited land due to high demand and high density levels.
- Old Alexandra is extremely dense, comprising predominantly low-rise housing, largely a result of a history of poor urban planning.
- Residential density is much lower in East Bank, allowing the area to develop in a more orderly manner.
- Despite enormous demand for housing in Old Alex, growth is constrained due to the nature of formal tenure in the area, which has led to overcrowding on land without the development of formal landlords.
- Rental accommodation is at a premium due to the influx of individuals into Johannesburg who retain their primary households in other parts of the country. New developments need to identify and create rental options.
- Residential densities mean that there is a relatively vibrant and diverse commercial sector in Alexandra, but growth is restricted by residents' low income levels.
- The proximity of other commercial districts, combined with the higher quality of their infrastructure, leads to spending leakages.
- Better quality commercial infrastructure is coming on-stream in Alexandra, but may be reaching a saturation point.
- Economic conditions around Alexandra are very good. Growth in Sandton is overflowing into Wynberg and is translating into construction and renovation, and increasing rentals. Development to the east of the N3 is being driven by growth in logistics, IT and other sectors, as well as the prospect of the construction of a Gautrain station in Marlboro.
- Alexandra has good physical linkages with Johannesburg, Sandton and Midrand. These linkages may improve in the future.
- More needs to be done to develop "virtual" linkages such as developing partnerships between Alexandra's businesses and those in the surrounding areas, and offering appropriate training. In addition, efforts should be made to ensure that businesses in Wynberg, Sandton, etc., source goods and services from Alexandra. In many cases, this will require purchasers of goods and services to make some effort and help suppliers build their businesses.
- Training in Alexandra should focus on skills that may be applied in Johannesburg's growth sectors, namely finance and business services, retail/wholesale, transport and communication and construction.

The following potential sources for economic growth have been identified:

Short term	Long term
• Various growth sectors in the region including commerce, BPO, construction, automotive sector • Construction and commerce • Building commercial links between Alexandra's businesses and those in the sub-region • Skills training is needed to grow the sub-regional economy • Business skills development • Continuing with the building of low-cost housing • Provision of affordable rental accommodation	• Ensure continued growth in sub-region by piggy-backing on Gautrain development • Commerce, leisure and tourism development • Skills development for sub-regional economy • Business skills development • Developing new housing offerings, including franchised rental