

# Infrastructure Growth in South Africa

## Spurs Widespread Opportunities

In September 2011, IRWA was proud to welcome its first chapter outside North America. An affiliate for many years, the South African Right of Way Association (SARWA) became IRWA Chapter 83, demonstrating the Association's ability to reach far beyond our borders and embrace those countries that have the need and desire to learn from the world's authority on right of way.



**BY BARBARA BILLITZER**

South Africa's deepwater Port of Ngqura, completed in 2009, is exceeding expectations as a transshipment hub. Transnet Port Terminals has maximized on the enormous growth market by forming partnerships with other African ports and promoting the country as a regional hub for the rest of the continent.

## Challenges of a Mixed Economy

Like so many other developing countries, South Africa is focused on meeting the needs of its citizens who still lack access to basic, modern energy services, while encouraging investments in energy and infrastructure development.

South Africa's President Jacob Zuma understands what it means to lead a developmental state that is located at the center of a mixed economy. He sees his role as leading and guiding the economy, while intervening on behalf of the poor. Growing the country's economy is his top priority, along with alleviating unemployment, poverty and inequality.

In 2010, President Zuma launched the New Growth Path framework and identified the specific job drivers as infrastructure development, tourism, agriculture, mining, manufacturing and the green economy. He declared 2011 as the year of job creation, and mobilized the country's social partners, namely business, labor and the community sector, to work in implementing the New Growth Path. Even in light of the global economic situation, the results are encouraging.

## A National Planning Commission

In early 2011, the New Growth Path was adopted as South Africa's framework for driving the country's jobs vision, and infrastructure development was targeted as the first employment driver. It was evident that the pace of infrastructure development was lagging behind what the nation needed. Not only was more needed, but it needed to be done faster.

In the past, increased spending on infrastructure development had worked to stimulate the economy, as demonstrated by the country's 2010 FIFA Soccer World Cup build program. The government is drawing heavily on that experience, and combined with lessons learned on freeway build programs and airport refurbishment projects, they have recognized that moving away from piecemeal planning is essential to their future success.

A National Planning Commission was soon established and tasked with producing a national development plan for the country. The Commission released the first draft of the National Development Plan, which includes a 20-year projection and addresses poverty and inequality, outlining solutions directly linked to higher growth and job creation.



SARWA formed IRWA Chapter 83 in 2011. From left, SARWA Chapter 83 Past President Ernest Grunewald, SARWA Vice President Muzi Shange, SARWA Secretary Mamokete Mafumo, and IRWA Chapter 83 President, Paul Cronje.

Rebuilding and strengthening the economy and laying the groundwork for strong, sustained and inclusive economic growth is crucial.

One of the key lessons learned from past infrastructure programs is the importance of a strong partnership between the three spheres of government. These spheres are closely connected to service delivery to communities, and the provinces and local government matter greatly. They are the custodians of financial resources and regulatory responsibilities that need to be aligned with the overall national plan. Only through collaboration will these programs be effective and capable of being carried out on an expeditious basis.

## Details of the Infrastructure Plan

In September 2011, the Presidential Infrastructure Coordinating Commission (PICC) was created to bring together representatives of its three spheres of membership. Chaired by President Zuma, the commission includes cabinet members, premiers, metro mayors and South African Local Government Association representatives and is chaired by the President.

The PICC developed an Infrastructure Plan with 17 Strategic Integrated Projects (SIPs), covering more than 150 specific infrastructure interventions. Among these are all the key platforms, including rail, road and port, dams,



In 2011, South Africa's President Jacob Zuma addressed international delegates at the G20 CEO Business Summit in Seoul on the topic of sustainable economic recovery and future growth.

irrigation systems and sanitation, new energy generation plants, transmission lines and distribution of electricity to households, communication and broadband infrastructure, social infrastructure in the form of hospitals, schools and universities, as well as regional infrastructure.

The test of the plan's effectiveness will be how well the different elements of the plan are coordinated and integrated. This means addressing capacity constraints in the nation, promoting wider partnerships in the society and improving coordination.

In February 2012, President Zuma gave a State of the Nation Address where he outlined a new Infrastructure Plan with four key goals as follows:

- 1) Unlock economic opportunities and expand investment and jobs in the economy;
- 2) Promote broader industrialization of the economy through locally-manufactured components and supplies;
- 3) Maintain focus on maintenance so the existing infrastructure remains in good working order; and
- 4) Create larger markets to spur deeper intra-regional trade and investment.

The PICC identified projects and infrastructure initiatives from state-owned enterprises, as well as national, provincial and local government departments. Once the projects were sequenced and prioritized, five major geographically-focused programs were identified, with a total investment of 845 billion rand (\$100 billion USD).

One of the plan's priorities is to develop and integrate rail, road and water infrastructure. These efforts are intended to unlock the enormous mineral belt of coal, platinum, palladium, chrome and other minerals, and facilitate increased mining as well as stepped-up beneficiation of minerals. An expanded rail transport system is also planned for connecting coalfields to power stations, enabling a decisive shift from road to rail in the transportation of coal, which previously caused a deterioration of their roads.

Another key project is designed to improve the movement of goods through a logistics and industrial corridor, while connecting the major economic centers with improved export capacity through seaports. In this regard, the Market Demand Strategy of Transnet was introduced, which entails an investment over seven years of 300 billion rand (roughly \$35 billion USD) in capital projects. Of this amount, 200 billion rand (roughly \$24 billion USD) is allocated to rail projects and the majority of the balance to projects in the ports. This will result in increased job creation and will position South Africa as a regional transshipment hub.

A major new southeastern node is also planned that will improve the industrial and agricultural development and export capacity of the Eastern Cape region, all while expanding the province's economic and logistical linkages. The building of a new dam has promised to help expand agricultural production. In addition, work is at an advanced stage to improve water, sanitation, electricity, roads, human settlements, airport development and institutional and governance issues.

In the northwest region of the country, the plan includes expanding the rollout of water, roads, rail and electricity infrastructure. Ten priority roads will be upgraded. And along the west coast of the country, plans include the expansion of an iron-ore rail line which will create additional jobs. The iron-ore capacity on the transport side will increase to 100 million tons per year with enough iron-ore mining over the next decade to feed the developing country's growing investment in infrastructure and industrial activities.

## Putting the Plan into Action

District-wide infrastructure action plans are being developed in conjunction with all the three spheres of government. A national inter-departmental task team is collecting and evaluating projects submitted by various district municipalities. In each district, two catalytic infrastructure projects will be identified to kickstart sustainable social and economic development. Various projects focusing on enterprise development, basic services and agricultural development are currently in varied stages of implementation in the area. These include the revitalization of several irrigation schemes which will contribute to food security and small farmer development in the area.

Implementation has already commenced on some of the components of the plan, in close consultation with the provinces concerned. This is in the form of site clearing and construction work. Further technical studies to ensure specific projects ready for implementation are taking place, as well as discussions with the private sector on what is required from them as key users of infrastructure.



In 2012, IRWA Executive Vice President Mark Rieck (left) and IRWA International President Randy Williams, SR/WA, MAI, FRICS (right) met with South Africa's Minister of Economic Development Ebrahim Patel to discuss IRWA education and certification opportunities for South African infrastructure professionals.



The meeting between IRWA and South Africa's Minister of Economic Development was organized by Dr. Zweli Lawrence Mkhize, the Premier of KwaZulu-Natal Provincial and a member of the President's Infrastructure task force.



The 2010 FIFA World Cup served as a catalyst for driving major public works projects and the benefits have had a lasting impact. During construction of the stadia, new workers were hired for highway improvements, airport construction/expansion and other infrastructure improvements.

For the next two years, until new power stations come into operation, the electricity system will be very tight. To increase energy capacity, South Africa will continue searching for renewable energy sources, especially solar electricity and biofuels as it implements the Green Economy Accord with economic stakeholders. To date, more than 220,000 solar geysers have been installed nationwide, and the government's target is to reach one million by 2014-2015.

Water expansion has been delayed in some parts of the country due to a lack of infrastructure. Today, five new water augmentation projects are on schedule, and nine out of 25 dams have been rehabilitated. Two ports were recently opened and additional construction work is now being done to create one of the largest transshipment hubs on the continent.

## Addressing Future Needs

Infrastructure drives growth and development. It lays the foundation on which the industrial activities of the nation take place. The experience of fast-growing economies is that their planning horizon is longer than one electoral cycle and that they invest heavily in infrastructure. The PICC mandate is to facilitate a 20-year infrastructure pipeline to facilitate their ability to plan ahead, while moving away from the stop-start syndrome around the building of infrastructure.

Addressing the funding needs is an important component. President Zuma has convened with investors and social partners to identify financial opportunities within the Infrastructure Plan. Discussions with international

partners have also been in the works to attract support for the plan. The massive investment in infrastructure must go beyond power stations, rail-lines, dams and roads. It must industrialize the country, generate skills and boost much needed job creation.

According to President Zuma, "We have outlined a busy infrastructure implementation program for now until 2014 and beyond. I would like to appeal to all our people to join hands as they always do, as we deal decisively with the triple challenges of unemployment, poverty and inequality. Nobody will do this for us, it is in our hands. And we are all equal to the task."



Addressing attendees at IRWA's 2011 Annual Conference in Atlanta, Past Chapter 83 President Ernest Grunewald represented SARWA and outlined the country's unique infrastructure challenges. With so many projects on the horizon, the demand for skilled right of way professionals will continue to escalate.