



KWAZULU-NATAL PROVINCE

**ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS**
REPUBLIC OF SOUTH AFRICA

OFFICE OF THE MEC

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WRITTEN REPLY

NO. 183/2021 MR H U DE BOER (DA) TO ASK THE MEC FOR ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS:

Progress on the Mkuze Airport Regional Airport Terminal buildings are significant, with the project being a promising investment in the Northern KZN Tourism Industry.

An Oversight Visit by the ECOD Portfolio Committee has revealed that the Project is poised to halt due to two tranches of provincial funding not being paid to the Project Managers. These being R10 million from Treasury, and R25 million from the Department of Transport:

1. IS EDTEA AWARE OF THE IMPENDING PROJECT HALT, AND THE LACK OF TRANSFERS?

EDTEA is aware of the potential stoppages of Mkhuze terminal building construction due to cash flow challenges. EDTEA is also aware of the financial and social consequences of prematurely stopping the construction of the Mkhuze Terminal building. The following facts explain the causes of the delay in the transfer of funds to uMkhanyakude district:

- I. The total budget for Mkhuze Terminal building construction is R67.3 million. A budget of R32 million was transferred by EDTEA during the 2019/20 budget year. This budget enabled the project to start in August 2020.
- II. In the 2020/21 financial year, the Department had made a budget provision of R2.5 million additional funding to support the project. However, this was cut during the Special Adjustment estimate to provide for COVID-19 response.

- III. Cognisant of the lack of adequate budget for Mkhuze terminal building, EDTEA sought a R25 million co-funding partnership with the Department of Transport (DOT) which was approved in November 2020. Transfer of the aforementioned funds by DOT could not take place during the 2020/21 budget year due to the restrictions around transfers to uMkhanyakude, as the district is under administration. The lack of transfer of the funds entailed that DOT had to remit these funds back to treasury due to under-spending.
- IV. In October 2020, EDTEA also applied for funding through Provincial COVID-19 Economic Recovery fund but the application could not be approved due to shortage of funds.
- V. In the 2020/21 budget year, EDTEA also identified savings of R10 million and approval to transfer to uMkhanyakude was not granted by the Provincial Treasury as it was believed the project could utilize the R25 million budget by DOT which was also not transferred due to the aforementioned reasons.

2. ARE ANY HIGH LEVEL INTERVENTIONS BEING MADE TO SECURE THE FUNDING FOR THE MKUZE AIRPORT PROJECT?

The following interventions have already been undertaken:

- I. EDTEA has sourced R6 million and R4.3 million will be confirmed before the end of July 2021 (**See attachment**);
- II. On the 15th of June 2021, Provincial Treasury approved an adjustment allocation for R25 million from Vote 12 (Department of Transport) towards Vote 4 (Department of Economic Development, Tourism and Environmental Affairs)- (**See Attachment**); and
- III. Against this backdrop, EDTEA is now in the process of finalizing the transfer of R31 million to uMhloosinga Development Agency (UMDA). This transfer will be finalized before the 30th of June 2021.

3. HOW SOON DOES EDTEA EXPECT TRANSFERS TO THE MKUZE PROJECT TO TAKE?

- I. As soon as the Memorandum of Agreement (MOA) has been concluded, EDTEA will transfer the funds to UMDA. As of Friday, the 18th of June 2021, EDTEA was awaiting uMhloosinga Development Agency Board Resolution Letter; and
- II. This transfer will be made no later than the 30th of June 2021.

4. **ARE ANY CONTINGENCY PLANS IN PLACE TO PREVENT THE STOPPAGE OF THE PROJECT DUE TO A LACK OF FUNDING?**

- I. uMhlosinga Development Agency has made an arrangement with the contractor not to suspend any operations at Mkhuze Airport before the 30th of June 2021;
- II. Against this backdrop, we are glad to inform ECOD Portfolio Committee that Mkhuze terminal building construction has not stopped and instead progressed since the oversight visit by the committee on the 2nd of June 2020, **(see Figure 1 below)**.



- III. We are confident that the interventions highlighted above will now see Mkhuze airport terminal building construction project being completed no later than 30 September 2020;
- IV. The Department is already putting in place a number of interventions to operationalize the airport once construction is complete. Some of these interventions include amongst others the following:
 - a. **Integrate KZN regional airports into the Tourism strategy of the province-** EDTEA is already working with TKZN to craft a sustainable model for regional airports in the province. This plan includes integrating all KZN regional airports into the broader tourism strategy for the province.
 - b. **Stakeholder engagement-** We are already engaging the following stakeholders to promote Mkhuze airport for tourism, business and social



services in uMkhanyakude district. The following stakeholders have been identified:

- **Provincial Government – Working with** provincial stakeholders(TKZN, TIKZN, ACSA, DTPC etc.) in growing air services at KZN regional airports including Mkhuze airport;
- **National Governments-** Engaging National DOT on the National Regional Airport strategy and Department of Tourism on uMkhanyakude tourism industry;
- **Game Reserves-** Working with Games Reserves and accommodation establishments in uMkhanyakude to promote air services at Mkhuze airport;
- **Route development-** Design a programme for airline engagements; and
- **Tourism agencies-** Work with TKZN to engage travel agents amongst other role players.
- **Promote flight school at Mkhuze-** EDTEA will come up with a support measure for flight schools who establish at KZN regional airports (PMB, Margate, Mkhuze, Richards Bay, Ladysmith, Newcastle);
- **Investment attraction-** Working with TIKZN, UMDA and UMKD are already stepping up efforts to attract investment into the Mkhuze airport precinct/city; and
- **Drag Racing-** Working with TIKZN to promote Mkhuze drag racing an annual National event in May.

The Department continues to cherish the support provided by ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE in ensuring that Mkhuze airport project is completed on schedule.

5. If not, why?

n/a.

SUBMITTED BY: <small>Signed by: Brightboy Nhlakanipho Nkont Signed at: 2021-06-23 15:18:52 +02:00 Reason: I approve this document</small>  MR N NKONTWANA HEAD OF DEPARTMENT DATE: 23/06/21.....	APPROVED BY:  MR R R PILLAY, MPL MEC FOR ECONOMIC DEVELOPMENT, TOURISM & ENVIRONMENTAL AFFAIRS DATE: 23/06/21.....
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