

**ADDRESS BY THE KWAZULU NATAL MEC FOR ECONOMIC
DEVELOPMENT AND TOURISM THE HONOURABLE MICHAEL
MABUYAKHULU ON THE OCCASION OF THE AFRICAN RENAISSANCE
CONFERENCE
23 MAY 2013**

Programme Director;

The Deputy President of the Republic of South Africa, Mr. Kgalema Motlanthe;

The Premier of the province of KwaZulu-Natal Dr Zweli Mkhize;

The Chairperson of the African Renaissance and the Minister of Correctional Services, Mr.

S'busiso Ndebele;

The Minister in the Presidency, Mr. Trevor Manuel;

The Minister of Rural Development and Land Reform Mr. Gugile Nkwinti;

The Deputy Minister of Tourism, Ms Thokozile Xasa;

The Group CEO of Transnet, Mr. Brian Molefe;

The Chairperson of Ignite SA com, Ms Lynette Ntuli;

The chairperson of the African Renaissance Organizing Committee, Professor Sihawu Ngubane;

Dignitaries Present;

Ladies and Gentlemen;

All protocol observed.

On behalf of the provincial government of KwaZulu-Natal and the people of this province, we wish to express our sincere delight for being part of this year's installment of the African Renaissance Conference, a gathering whose aim is to expressly look at means and ways of ensuring that the rebirth of our continent is realized in our lifetime.

We believe that this conference, which has been aptly themed, Connecting Africa, could not have taken place at the appropriate time in the evolution of the economic and political fortunes of this continent, which, like the proverbial Phoenix, is rising from the ashes of underdevelopment and economic marginalization and is taking its place in the table of other nations.

Not only is Africa becoming the next economic frontier as has been ably articulated by eminent speakers since yesterday, but it is poised to be the biggest force that will power the global economy in the next few years.

With economic fortunes of established countries flagging and the global economic landscape experiencing a tectonic shift from the West to the East, coupled with the rapid development of emerging economies, Africa is fast emerging as biggest economic story of our age.

The question that, we have to answer as we gather for this year's edition of the African Renaissance is that how do we ensure that we maximize on the opportunities that will accrue out of Africa's economic rebirth?

Programme Director, we meet this week following the release of a report by the Financial Times of London which tracks Greenfield Investment Projects across the globe. The report states that the number of foreign direct investment projects declined by 16.38% in 2012, in contrast with 8.54% increase in 2011.

In total, according to the report, 11 789 foreign direct investment projects were recorded in 2012. Of particular interest in this report, is that while all regions of the world experienced a decline in FDI, the decline in FDI into Africa was less than the global average and Africa increased its market share of global FDI projects from 5.56% in 2011 to 6.01% in 2012.

In contrast, the global market share of Western Europe fell 1.5% in 2012, due to the European debt crisis and stagnating economic growth. In the report, South Africa was identified as responsible for more outward FDI projects in 2012, with a 23.38% increase, following on from a successful 2011.

However, despite this impressive economic showing by the African continent in attracting investment, infrastructure gaps, particularly relating to logistics and electricity, are consistently cited as the biggest challenges by those doing business on the continent. This is also evidenced by the recent report which was released by Ernst and Young on Africa's attractiveness. The

report states that at a macro level, Africa's growth will be inherently constrained until the infrastructure deficit is bridged.

The flip side of this challenge, however, is that strong growth has been occurring despite such infrastructure constraints. This indicates the potential to not only sustain, but accelerate growth as the gap is narrowed.

“Our analysis indicates that in 2012 there were over 800 active infrastructure projects across different sectors in Africa, with a combined value in excess of US\$700b. The large majority of infrastructure projects are related to power (37%) and transport (41%),” states the report.

It is because of this reason that we believe that in order to lay a firm foundation for Africa's economic re-awakening the issue of using infrastructure as the bedrock for forming economic connectivity is a good starting point.

As all of us know, Africa was not only carved into little pieces by its erstwhile colonizers, but one of the enduring legacies of the economic subjugation of the continent is economic disconnectivity which ensured that African countries, despite the fact that they are on the same continent, have more cultural, political and economic ties with their former colonizers than the countries with which they shared borders.

Programme Director, in 2011 the African Development Bank in partnership with the World Bank developed what is called the Handbook on Infrastructure Statistics on the African continent which illustrated the strides that need to be made in order to improve infrastructure on the African continent. The report states that Africa's infrastructure is by far the most deficient and costly in the developing world.

“On just about any measure of infrastructure coverage, Sub-Saharan African countries lag behind their developing country peers, and the gap with Asia is widening over time. Some 30 percent of Africa's infrastructure is dilapidated and in urgent need of refurbishment.

Moreover, the prices of Sub-Saharan Africa's infrastructure services are up to at least twice as high as other developing countries, due to diseconomies of scale and lack of competition. Solving the problem will require sustained spending of \$93 billion per year. This sum represents around 15 percent of the gross domestic product (GDP) of Sub-Saharan Africa, and would represent a level of infrastructure development comparable to that seen in China during the 2000s," states the report.

According to the handbook, during the early 2000s, Africa spent a total of \$45 billion annually on infrastructure, much of it from domestic sources. Meanwhile, resources worth about \$17 billion were wasted through various kinds of inefficiencies, including distribution losses, low revenue collection, underpricing of services, lack of maintenance, and under-execution of capital budgets. If these efficiency gains could be fully captured, the remaining funding gap would amount to \$31 billion per year.

Addressing inefficiencies and closing the funding gap for infrastructure are critical to Africa's economic future. However, without dependable statistics on the infrastructure sectors it is difficult for policy makers to determine infrastructure priorities, track progress on infrastructure development, benchmark performance against peers, and evaluate the impact of past investments.

Programme Director, it is estimated that the cost of redressing Africa's infrastructure deficit is at US\$ 38 billion of investment per year and a further \$ 37 billion per year in maintenance, an overall price tag of \$75 billion. This, therefore, means that the issue of infrastructure development should be placed at the apogee of the list of priorities for Africa to be the next economic frontier.

It is because of this reason that in KwaZulu-Natal we have developed the King Shaka International Airport which is incorporated under the Dube Trade Port, Africa's first purpose built aerotropolis.

As all of us know, our province is home to South Africa's second largest provincial economy, a booming tourism sector, a burgeoning manufacturing sector, extensive farmland, world-class sporting venues and conference facilities and a rich cross-cultural legacy and sense of history.

With two of Africa's busiest seaports – Durban and Richards Bay – and an ultra-modern freight and passenger facility at Dube Trade Port, just 30km north of Durban, coupled with excellent road, rail and tele-communications infrastructure, KwaZulu-Natal is well-placed to significantly grow its position as an undoubted leader in the import and export market and has huge tourism potential.

Programme Director, ours is most certainly a region geared for growth and we have the economic muscle to make substantial economic growth a reality. In fact, much of the groundwork has already been completed, with sizeable and strategic public sector investment in infrastructure, inclusive of the multi-billion Rand Dube Trade Port, which is home to the new King Shaka International Airport, major seaport upgrades and the further development of road and rail links, together with the establishment, recently, of new sports facilities and extensions to Durban's iconic international conference centre.

Our province enjoys a track-record for economic performance, contributing some 16,5% towards South Africa's Gross Domestic Product. Our focus, going forward, remains on manufacturing and – especially – manufacturing which is capable of adding value to our local raw materials, given the direct and immediate access to three of the country's major export facilities, being the seaports of Durban and Richards Bay, and the premier air logistics platform that is Dube Trade Port.

In this regard, the Dube Trade Port, the KwaZulu-Natal Provincial Government's flagship project, is our region's single biggest infrastructural development and is Africa's first purpose-planned aerotropolis and – with its continued development and additional provision of infrastructure – will be the catalyst, which drives Aerotropolis KZN, South Africa's next major trade and business hub.

This conference, therefore, takes place at an opportune moment when the province of KwaZulu-Natal is developing an integrated aerotropolis strategy, which seeks to map a framework for implementing this noble economic development strategy.

Programme Director, we call our strategy an **integrated aerotropolis strategy** for the following critical reason. The strategy intends to achieve the following:

- Proper governance model
- Building a robust institutional arrangement for implementation
- Forward looking
- Commonality of purpose by all role players----**Working together---Joint planning**
- **Maximising economic potential through sectoral backward and forward linkages**

We view an aerotropolis as a catalytic programme that has economy wide impact in terms of unlocking economic opportunities in the province. The aerotropolis concept is befitting to our developmental agenda especially as it pertains to global connectivity, industrial development, tourism, infrastructure development, and engendering backward and forward linkages. We, believe, it is through this strategy that the province can achieve its developmental priorities.

Ladies and gentlemen, we have come to understand the principles involved and recognise that Aerotropolis KZN will generate unheard of economic efficiencies. Our approach has been to make Dube Trade Port the nucleus of Aerotropolis KZN, developing the area in such a way as to deliver a sustainable operating environment, which provides global connectivity.

Accordingly, Dube Trade Port comprises Dube Cargo Terminal, Dube Trade Zone, Dube AgriZone and Dube City. All four of these key zones are fully supported by Dube I Connect, providing the most advanced metro ethernet network in South Africa, in terms of the dedicated provision of a highly sophisticated, world-class IT and telecommunications platform digitally linking users with each other and the world. Dube Trade Port is a Greenfield development and is being rolled-out as a 60-year master plan development.

This is and must necessarily be an all-inclusive economic imperative. The conception and establishment of Aerotropolis KZN embraces public and private co-operation and co-ordination, thereby ensuring both direct and indirect involvement in its expansion and maturity by not only the Provincial Government, but also Local Government and the private sector.

We, of the KwaZulu-Natal Provincial Government are proud of the fact that Dube Trade Port, as the basis for Aerotropolis KZN, was well thought out, was initiated as a long-term development project and, all importantly, had the in-built engine to drive still *greater* aerotropolis development.

But, director of proceedings, we are cognisant of the fact that regional and international connectivity is a necessary condition for the establishment of an aerotropolis. We are, therefore, not coming here only with plans. The Dube Trade Port, which is the heart of our aerotropolis, has been hard at work ensuring that this asset begins to yield returns for the province. To this end, we have developed the Dube Air Services African Strategy. In accessing SADC countries, Dube Trade Port Corporation's African strategy has focused on 'partnering' with SA Express, which is basing a fleet of 50-seat jet aircraft at King Shaka International Airport, combining relatively small capacity with speed and, thus, allowing for high frequency of service.

SA Express has established an operational base in Durban to exploit commercial activity in SADC. We are exploring 10 routes, with routes to Lusaka and Harare already established in 2012. Other routes that are being actively explored are to Gaborone, Maputo and Lubumbashi. We are convinced that the SA Express feeder routes into SADC countries will assist in connecting passengers from East London, Port Elizabeth and Cape Town. Similarly, international airlines will benefit from passengers from East London, Port Elizabeth and Cape Town aiming to connect out of Durban.

Programme Director our long term goal is to ensure that our province becomes the gateway to the African continent. Research all over the world has shown that regional integration lowers the cost of infrastructure by giving smaller countries access to more efficient technologies and a large scale of production. Regional cooperation on infrastructure also helps to harness and share

the benefits of trans-boundary commonalities. This is illustrated by the fact that the ports and connecting sea corridors of the coastal nations are “regional public goods” that typically service multiple landlocked countries in the hinterland.

A good example of this is the Durban Port which also services many countries in the Southern African region. Therefore, in keeping with our vision of ensuring that our province becomes the logistics hub of the Southern African Region, the development of the aerotropolis has added an important puzzle in the our logistics jigsaw.

The aerotropolis is a practical expression of our efforts to ensure that infrastructure development has cross border benefits and that it begins to narrow the infrastructure deficit in on our continent. The challenge facing us, particularly on the Southern African part of the continent is to ensure that our long term infrastructure development plans are harmonised so as to ensure that we work in a seamless fashion to close the infrastructure chasm. The development of infrastructure at the level of countries can no longer be done in a fragmented fashion, devoid of linkages with those of other countries in that region.

As stated earlier, the growth of African economies will not yield the desired results if it is at the expense of intra Africa trade. Africa can only take its place within the family of other nations when the spoils of economic growth are shared by all countries by improving trade between African countries.

We believe that the best way of growing trade within African countries is to start at the regional level by integrating regional economies, ensuring that there are pockets of free trade zones within all regions. With time, these will be integrated into a powerful patchwork quilt of an Africa that will be integrated and connected, socially, politically, economically and ready to be an expression of its full potential- a continent that will be the biggest economic miracle of our times.

I thank you.

Director of proceedings, allow us to share with you a video clip that shows visual images of our aerotropolis and the envisaged future developments around the airport.