

Township economic development: The case of Kya Sand and Nancefield Industrial Nodes¹

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The case explores different industrial nodes in the Johannesburg metropolitan area, both adjacent to low and middle-income communities. One is the Kya Sand industrial node in the north; the other is Nancefield in the south-west. These two development areas are explored separately so that comparisons can be drawn and key challenges identified related to township economic development.

Kya Sand: Kya Sand is an industrial suburb adjacent to Cosmo City, which includes low-income and middle-income housing. More recently, an informal settlement has developed adjacent to it, as people move to be closer to economic opportunities and want to cut down on transport costs and time. However, this settlement lacks basic amenities.

Kya Sand is the second largest industrial node in Johannesburg and is highly diversified. There are 616 companies, of which 168 are manufacturing firms and 27 are transport and storage businesses. It includes a mix of large, medium and small firms. It has a well-organised area association, which engages proactively with the City to address problems. Other stakeholders are invited in this association to deal with issues ranging from crime in the area to property evaluations.

Nancefield: Nancefield is a relatively small industrial node, adjacent to Soweto and Lenasia. An informal settlement has developed adjacent to the industrial area.

There are 107 firms within the node. Almost 50% (56) of the firms in the node are manufacturing firms and 9 firms provide transport and logistics services. There is a level of concentration of furniture and related wood and wood products activities as well as transport and logistics that lend themselves to a cluster approach.

In Kya Sand and Nancefield, the following issues represented particular challenges:

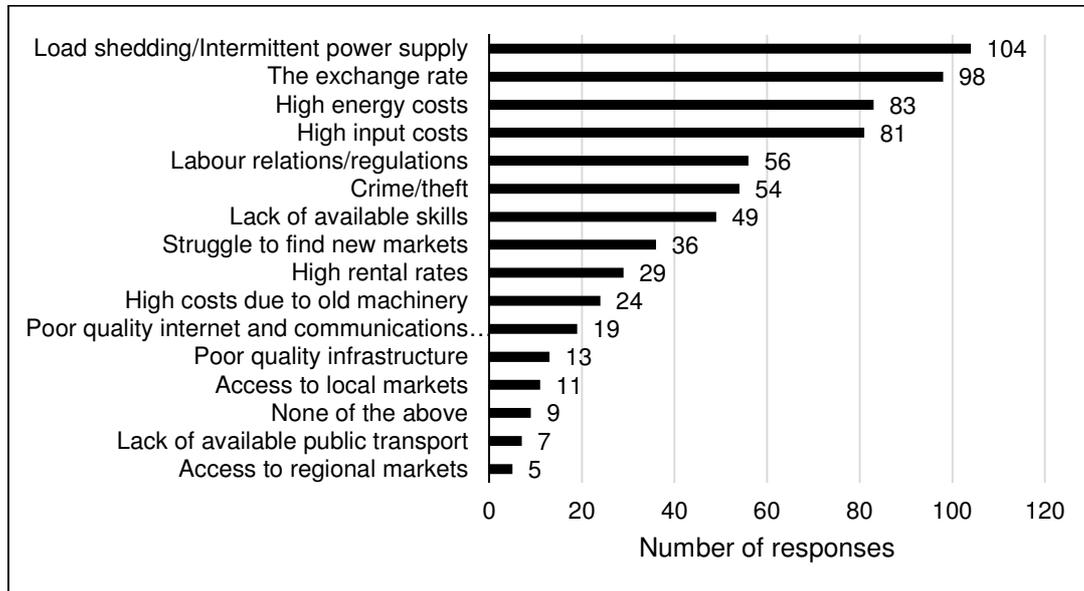
- Illegal connections in adjacent informal settlements and cable theft threatened electricity supply, with regular outages. A furniture manufacturer in Kya Sand indicated that they spend an extra 30% - 40% on energy costs due to the use of generators.
- While Kya Sand is serviced by PUTCO, there is also congestion from taxis in a context in which there is no taxi rank. Taxis do not service both industrial nodes at night creating difficulties for shift-work.
- In Nancefield, lack of drainage leads to flooding.
- Both sites experience billing issues.
- Crime is exacerbated by lack of street lighting.

These two examples illustrate examples of industrial nodes located adjacent to townships, which create opportunities for local job creation as jobs are brought closer to people. This is not always the case. Townships are typically far from economic opportunities and from jobs, adding significant costs to job-search and also to commuting times and costs for those who do have jobs, with negative social impacts. Within townships, economic activity is dominated by retail activities and services, with limited manufacturing activity. How do we stimulate local economic activity – and in particular, manufacturing – as part of developing township economies?

¹ Data and analysis in this case study all taken from research into Industrial Nodes undertaken for the City of Joburg by the Centre for Competition, Regulation and Economic Development (CCRED), a research centre at the University of Johannesburg.

The challenge of township economic development fits within the wider challenge of promoting manufacturing in Johannesburg, in a context in which the economy of the city has shifted increasingly to services and retail; yet manufacturing is key to job creation and underpins growth.

Manufacturing firms interviewed across all industrial nodes in Johannesburg ranked their challenges as reflected in the table below:



Source: CCRED 2016

Underlying the City's 2015/16 integrated development plan was an understanding that any plans to grow industrial activity must start with 'getting the basics right'. 'This includes ensuring that manufacturers have quick and easy access to commercially zoned land for expansion, that utilities are provided with minimal interruptions and that there are transport links that facilitate the swift movement of both workers and goods within the City and beyond' (CCRED, 2016). All these elements are meant to come together in **Industrial Nodes** so that their potential can be optimised. This would then also create possibilities for cluster development, including shared services in relation to design, marketing and logistics.

Question: How can this 'wicked problem' be better understood and better addressed in the context of South African cities of the future ?