
The GJMC is committed to the improvement of the integration of Soweto with the Greater Johannesburg metropolitan and is looking to the development of the Baralink area as the catalyst to attract investment into the area. The Business Plan aims to give substance to the Baralink vision and its objectives by providing a framework within which practical solutions can be implemented in the context of the opportunities and constraints that Baralink presents.

4 REGIONAL ECONOMIC REVIEW

The regional economic review was undertaken to provide a perspective on the economic performance of the Gauteng region, and the Greater Johannesburg metropolitan area. The study also provided a means of identifying the broader economic trends in the area and how these may influence potential development in the Baralink area (see Section I: Framework Report for detail).

The Gauteng economy is centred on tertiary services, and is dominated by the manufacturing, commerce and financial sectors; and a shift-share analysis indicates that the Gauteng region derives an economic advantage from this particular mix of industries. However, the poor growth in the manufacturing sector is cause for concern given its role in the national economy and is expected to slow further; with the increasing lack of employment opportunities offered by this sector the need to look at alternative means of employment creation is highlighted.

Greater Johannesburg shows a high degree of spatial separation in terms of growth areas. The inner zone of industrial activities is relatively impervious to economic cycles, however the outer zone, of which includes the Baralink area is relatively homogenous in terms of industry mix and is significantly impacted by the state of economic cycles. The strategic issue is whether the South should plan to turn itself into a well diversified economy with very strong financial and commercial sectors, emulating the function of the Johannesburg inner city; or whether it must live with being an "outer zone" area like Brakpan in the East and Krugersdorp in the West.

Soweto is a functional part of the Greater Johannesburg area, but is not presently structured and resourced as such and the inadequacy of the infrastructure serving both the residential and commercial land users combined with a poor transport linkage to the rest of the region prevents the South from realising it's potential.

In the immediate future, the economic distance created by the lack of roads leading to Soweto will make it hard for Soweto to be a genuine part of the inner Johannesburg zone. The immediate goal should be to turn the South into an SMME manufacturing belt, capitalising on its available labour pool, which is poorly endowed with skills but highly entrepreneurial. Locally based SMMEs have the opportunity to serve an emerging consumer market with virtually no competition. The South must build on its locational advantage of being part of Greater Johannesburg, but should not attempt to compete and concentrate on forging the metropolitan links which the former government explicitly and deliberately sought to break. The result of creating such links need not be a conventional industrial development, but should allow for participation in the new international movement towards small, flexible, knowledge based businesses.

In planning for a prosperous South, short-term development priorities should include:

- Improvement of road transport linkages with the already dense Johannesburg network.
- Improved transport links to the Johannesburg International Airport
- Improved telecommunication links
- Improvement of infrastructure and municipal services, both residential and business, particularly electricity, water, sanitation and roads
- Development of SMMEs in an organised and orderly manner, building on existing enterprise by providing the facilities needed by emerging businesses. This should include the incorporation of planning for SMMEs in the Local Development Planning process, the development of a well trained, unified inspectorate to enforce local by-laws and regulations, and of a fully empowered dispute resolution process to conduct peaceful conflicts between the Council and small traders
- Development of managed mixed-use parks, combining residential, small office, retail and light industrial users in a single development. This will support SMMEs, and allow them to operate and expand in a lawful environmentally acceptable way.
- Development of warehousing and distribution facilities, which will be able to serve both SMME and Gauteng-wide chains. The proximity to the city in terms of physical distance, combined with low land prices makes the South a very attractive place for operators of retail chains to locate distribution facilities to service stores throughout the Greater Johannesburg and Pretoria area. At the same time, they might find further
- Growth of human potential through Soweto-based training programs. Development of training colleges and conference facilities. The South is an excellent location for such facilities. Land is available at low cost, and the community has a very high demand for such services. The existence of such organisations will begin to swing the perception of the South away from the depressed image it currently has
- Development of neighbourhood and regional retail and financial services to serve the Soweto area. The South should not be thinking about exporting such services to the rest of the city, but about filling the serious backlog that exists in the provision of local facilities for the convenience of local people. Soweto is not likely to take over the functions of the financial centre, but can expect to serve consumers within its own market area customers in the local SMMEs
- Control of crime, focussing on the security of access roads, streets and public areas. Safe streets are a major encouragement to business, both small and large. Businessmen whose success leads them to reside outside of Soweto must be enabled to continue to do business there

The Greater Soweto area will need to overcome not only the historical disadvantage of the area in terms of its spatial separation but will need to avoid competing directly with established areas such as the north and east of the metropolitan in attracting investment. The proposed approach to encourage economic growth in the area is to focus on supporting the SMME sector that has been identified as the potential competitive advantage of the area. This needs to be translated into reality in people's lives through planning initiatives that allow for mixed-use development; safe, accessible and relatively cheap public transport, and improvement of the infrastructure to and within the area.

5 MARKET DEMAND ANALYSIS

A market demand analysis was undertaken to identify the potential for private sector investment in the Baralink area (see Section I: Framework Report for detail). The objective of this exercise was to provide a context for, and data inputs to the economic impact assessment model; and was formulated on the basis of previous studies undertaken. The rationale for the study was the view that, given the right conditions and incentives, the private sector would be willing to invest.

The study identified six sectors where investment could be driven by private sector investment; these include retail, commercial, industrial, SMME's and residential. The table below summarises the findings of the market demand analysis expressed as take-up rates for various sectors.

Table 1. Estimated Take-up Rates for Market Sectors in the Baralink Area

MARKET SECTOR	POTENTIAL TAKE-UP RATE	COMMENTS
Retail	18 000 m ² 6 000m ²	As a one-off smaller regional centre development As 3 neighbourhood centres developed within 10 years
Industrial	10 000 – 15 000m ² pa	<i>Devland</i> : Development in industrial sector dependent on overall economic situation
SMME	50 x 50m ² pa	1 block could provide a SMME park
Offices	6000 – 10000m ² 1000 – 2000m ² pa	One-off development by administrative authorities within 10 years Private sector development
Medical	1 320 beds	Total beds for Greater Soweto area within 10 years (10% allocated to Baralink area)
Residential	200 – 350 units pa between year 1 & 5 550 – 700 units pa between year 6 & 10	Mortgaged residential units in R80 000 to R120 000 range
	500 units pa	Affordable housing, based on availability of housing subsidy
	500 units pa	Low Cost housing, based on availability of housing subsidy
Hotel	60 – 100 rooms	Two hotels, each of this capacity, within 10 years

Although this analysis did not specifically address the tourism market, it took the view that investment in infrastructure, and the development of a more formal economy in the Baralink area would encourage activity in the tourism sector, particularly if this were linked to the development of the SMME sector.

6 LAND USE IDENTIFICATION & OPTIMISATION

Although the Baralink area comprises 1 500 hectares, much of the land is encumbered in terms of legal, technical and environmental constraints. An exercise was undertaken to systematically identify the land parcels least encumbered and match them to the market sectors in an optimisation exercise over three development time horizons (See Section IV: Development Potential Evaluation Report {volumes 1 and 2} and Section V: land Use Optimisation Report for more detail).

In order to identify the land that had the greatest development potential, a quantitative process was formulated and an evaluation methodology established. In terms of the methodology, those parcels of land that had the highest score were identified as having the highest potential in terms of development. The results of the analysis are depicted in Figure 3.

These results were then evaluated according to three parameters, namely development potential, development time horizons and land use allocation. The results of the various permutations filtered out specific land parcels that were available in the various time horizons and which had a high development potential. It was concluded that these pieces of land would best serve to cater for the development of particular catalytic projects. Figure 4 indicates the land parcels that were identified for development over particular time horizons.

It was necessary to equate the demand results of the market demand analysis to that of land supply. The demand results were per time horizon, so the philosophy to optimise the demand and supply equation, was to match the demand for a particular land use with a parcel of land which had a high development potential and that offered a specified land use. Figure 5 indicates the land use allocation per optimised land parcel.

In addition, the demand data was given in Gross Leasable Area (GLA) and therefore the land parcels had to be converted to this method of measurement. The results of the optimisation exercise indicated the take-up rates of a particular land use within a particular time frame, for a specific land parcel (Refer to Table 2).



Baralink

Land Development Potential

LEGEND

Weighted Rating

- High
- Moderately High
- Medium
- Moderately Low
- Low

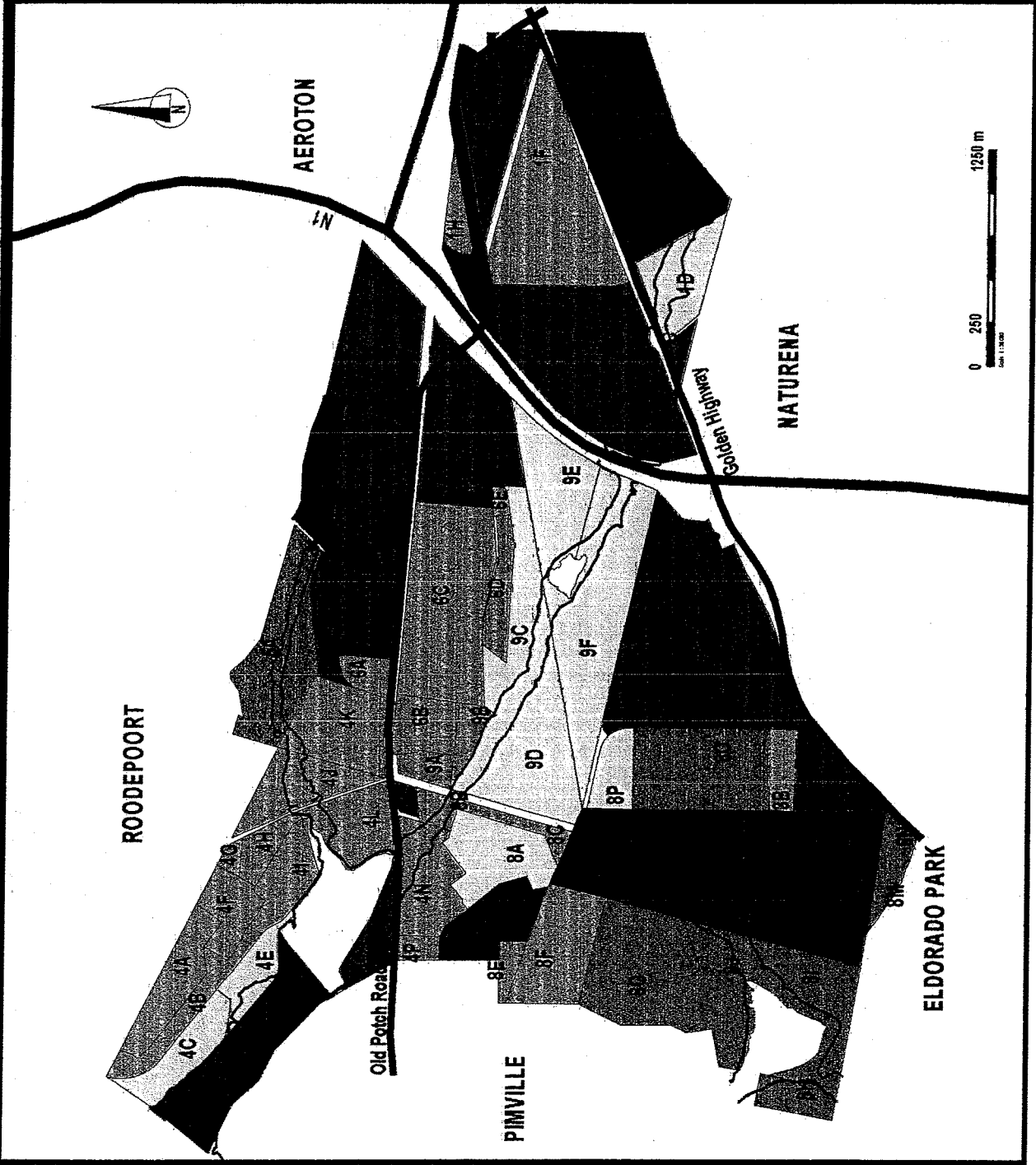
- Highways
- Main Roads

Figure 3



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Baralink

Development Time Horizons

LEGEND

-  3 Immediate : straight away or within the next year
-  2 Short Term : 1-4 years
-  1 Medium Term : 5-9 years

-  Highways
-  Main Roads

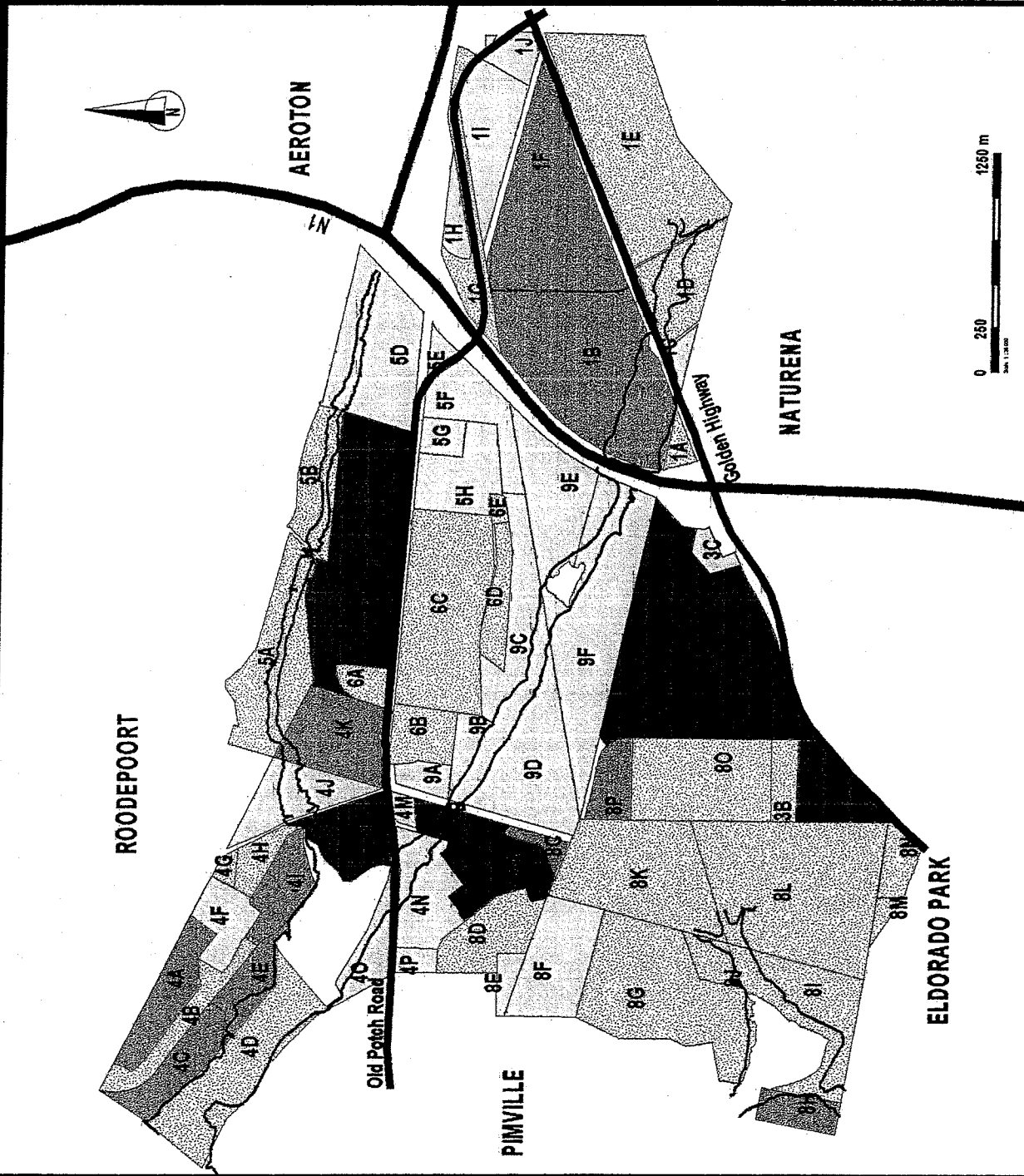


Figure 4

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Baralinks

Land Use Optimisation

LEGEND

- Retail (Regional)
- Retail (Neighbourhood)
- Industrial
- Office Park
- Hotel
- Educational
- Commercial
- Public Open Space
- Existing Infrastructure
- Residential - Affordable
- Residential - Low Cost
- Residential - Mortgaged
- Special - Entertainment

- Highways
- Main Roads

Figure 5



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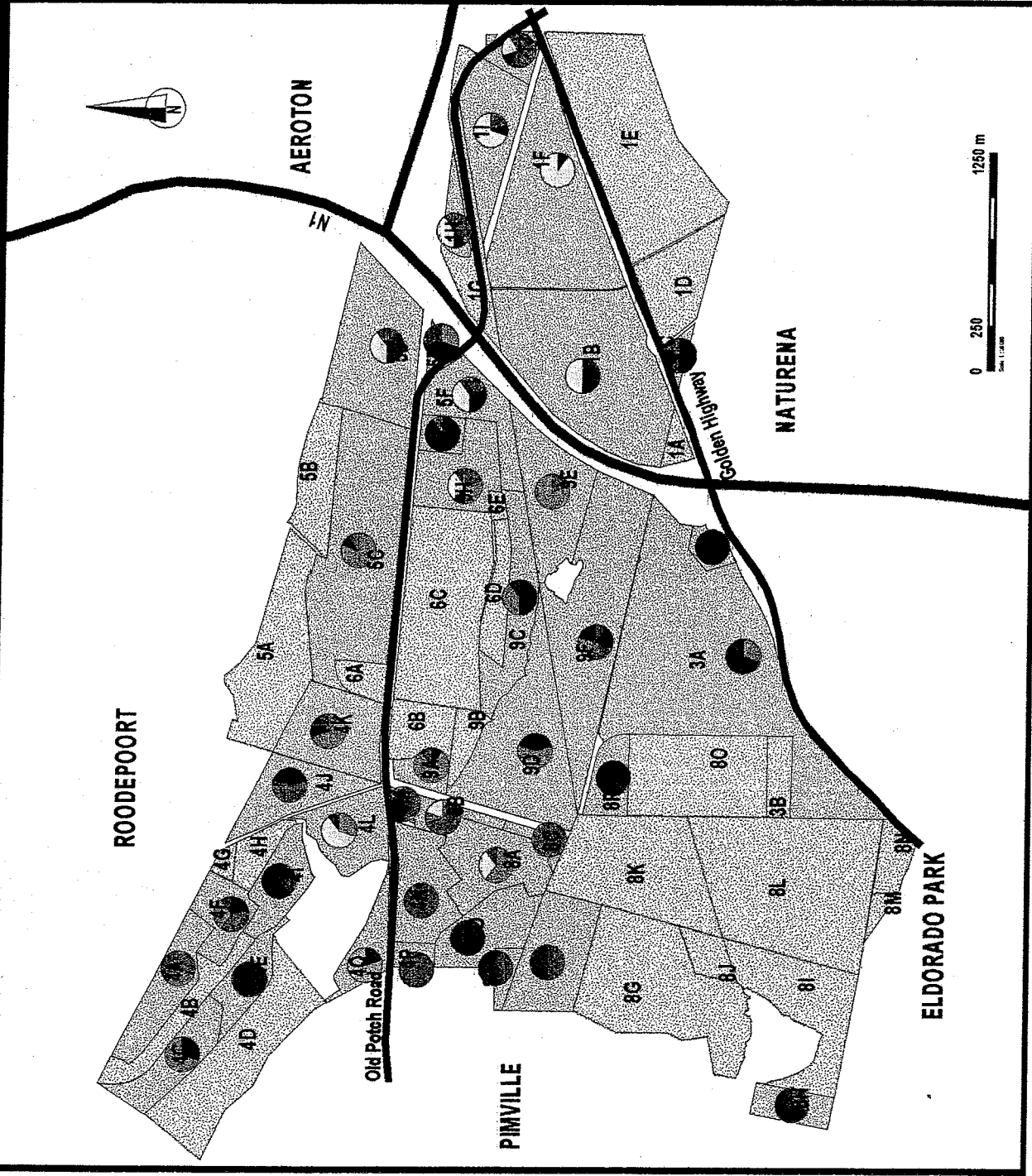


Table 2. Proposed Land Use, Time Horizons and Development Potential for Land Parcels

TIME HORIZON	LAND USE	LAND PARCEL	GROSS LEASABLE AREA (m ²)
Immediate	Commercial	SA-5C	20167
	Industrial	SA-3A	86273
	Residential (mortgaged)	SA-8B	8725
		SA-4L	75586
		SA-8A	49623
Retail (Neighbourhood)	SA-5C	16134	
Short-term	Commercial	SA-3C	6038
		SA-5G	4878
		SA-5E	4355
		SA-4M	2062
		SA-5F	16489
	Hotel	SA-1H	3051
	Office Park	SA-5E	3919
		SA-4M	1650
		SA-5F	6595
		SA-1C	1070
	Residential (affordable)	SA-1I	33773
		SA-4M	8087
		SA-5F	26865
		SA-5H	28417
		SA1J	27952
SA-5D		29455	
Residential (low cost)	SA-5A	3892	
	SA-9F	125796	
Residential (mortgaged)	SA-1I	118205	
	SA-5F	51729	
	SA-5H	56833	
	SA-1J	9317	
	SA-5D	147275	
	SA-1H	15953	
	SA-8F	93063	
	SA-8E	25291	
	Commercial	SA-1B	45492
Hotel	SA-4I	15175	
	SA-4I	10117	
Residential (affordable)	SA-4F	51823	
	SA-1H	15953	
	SA-8B	30537	
	SA-4A	37895	
	SA-8C	24012	
	SA-8F	74450	
	SA-8E	2810	
	SA-4K	18079	
	SA-9F	125796	
	SA9E	38853	
	SA8H	18893	
	Residential (low cost)	SA-9C	74808
		SA-9D	68234
SA-4C		33618	
SA-8P		21835	
SA-4E		15843	
Residential (mortgaged)	SA-1B	267599	
	SA-1F	383256	
Retail (Neighbourhood)	SA-4I	20233	

Over a 10-year development horizon, only 51% of the Baralink area is utilised to the optimum in terms of the estimated demand (See Table 3).

Table 3. Optimal Use of Land Over all Time Horizons

Land Uses	Total Availability (m ²)		Optimisation i.t.o. Demand (m ²)		Surplus (m ²)	
Commercial	248562	100%	88800	36%	159762	64%
Hotel	18226	100%	5600	31%	12626	69%
Industrial	919703	100%	59200	6%	860503	94%
Office Park	58046	100%	20000	34%	38046	66%
Public Open Space	1889325	100%	0	0%	1889325	100%
Residential – affordable	592649	100%	750000	127%	-157351	-27%
Residential – low cost	344025	100%	450000	131%	-105975	-31%
Residential – mortgaged	1302456	100%	1375000	106%	-72544	-6%
Retail – neighbourhood	70262	100%	8000	11%	62262	89%
Retail – regional	20233	100%	20000	99%	233	1%
TOTAL	5463487		2776600		2686887	
Percentage	51%		51%		49%	

7 THE LAND DEVELOPMENT POTENTIAL

The outcome of the Land Use Identification as Optimisation exercise resulted in the identification of a number of key precincts that present themselves as having the greatest development potential over the immediate short and medium term time horizons. These are shown in Figure 6. The development precincts include:

- The 'Gateway' Precinct
- The Orlando Dam Precinct
- The Elias Motsoaledi Precinct
- The Doornkop Military Base Precinct
- Vista University and Vista Koppies Precinct

Potential catalytic projects within each of these precincts were identified in terms of the time horizons for development and the proposed land release strategies for these projects described. The development projects are shown in Figure 7.

7.1 THE "GATEWAY" PRECINCT

The 'Gateway' Precinct is located at the eastern entrance to Greater Soweto and is approximately 85 hectares in extent. The precinct is bounded by the N1 Motorway to the east, the Baily Spruit and Diepkloof Extension Six to the north, the South African Police Services Compound to the South and the Chris-Hani-Baragwanath Hospital complex and Baragwanath Taxi Rank to the west. The precinct comprises a number of land parcels including the Doornkop Hostel site; the Putco Depot and surrounding parcels of vacant land; the