Total Population: **2001: 2, 994,779**
2006: 3, 239,768
2010: 3, 368,892

Dependancy ratios : 2001 : 47,0%
2006 : 45,5%
2010 : 45,9%

Number of wards : 110

Population growth rates (average annual)	**City of Cape Town**
2001 – 2006	0,02%
2006 – 2010	0,01%

Centre for Actual Research, 2005 (Population projections for the Western Cape 2001 – 2025)

Socio-economic indicators	**Cape Town**	**W. Cape**
Unemployment rate 2004	23,40%	18,6%
Number of unemployed 2004	275,730	387,000
Proportion of households with no income (2001)	13,31%	12,06%
Number of households with no income (2001)	102,062	145,768

Source: Statistics South Africa; Census 2001, LFS 2004

Supply and utilisation of public infrastructure: (*Provincial figures in brackets***)**

Health			
Infant Mortality Rate per 1 000	20	Nurse patient ratio at CCT facilities	1:54
Martenal mortality rate	53	Percentage under 1 with 1st measles immunisation *(National target:90%)*	83%
HIV/AIDS prevalance rate (2005)	5,7%	TB Cure rate % *(National target:85%)*	71,0%
Number of HIV/AIDS deaths (2005)	34,299	HIV/AIDS prevelance rate (2010)	6,9%
Rate underweight for age under 5 per 100	2,4%	Number of HIV/AIDS deaths (2010)	41,306
Education			
Number of schools (primary and high)	700 (1389)	Educator learner ratio	39 (39)
Percentage of people over 14 illiterate (less than grade 7)	15		
Crime (reported)			
Number of police stations (2004/05)	56 (149)	Total number of cases reported (2004/05)	300,223 (452,482)
Number of murders per 100 000 people (2004/05)	59,1 (2,680)	Number of rapes per 100 000 people (2004/05)	132,2 (6,834)
Drug related crimes per 100 000 people (2002/03)	228	Drug related crimes per 100 000 people (2004/05)	511,8

Source: SAPS (2005), Department of Health (2005), WCED (2005)

Strengths and challenges

Strengths	**Challenges**
• Well diversified economy	• High unemployment and skills mismatch
• Opportunities for further economic growth	• Slow economic growth in labour intensive sectors
• Better infrastructure	• Growing HIV/AIDS prevalence
	• Increasing drug related crimes

Introduction

The City of Cape Town, one of South Africa's five metropolitan municipalities, has a relatively simple legislative structure and is classified as a Category A municipality.[1] The region is defined as a high capacity functional municipality.

It is positioned on the southern peninsula of the Western Cape Province covering a geographical area of 2 479 km^2. Cape Town is largely regarded as the economic heartbeat of the Western Cape Province, accounting for 76,5 per cent of the province's economic activity, with key economic indicators underpinning the performance of the province.

The main drivers of economic growth are Finance & Business Services, Manufacturing, and Wholesale & Retail Trade sectors. A large number of financial head offices are located in the City, and as a result the Finance & Business Services sector has grown consistently for the period 1995-2004. The sector also utilises the City's skills base in the 'First Economy'.

The favourable policies adopted by both fiscal and monetary policy authorities have aided the boom in the Wholesale & Retail Trade and Construction sectors. A consumer friendly environment of lower interest rates and higher disposable incomes has been the stimulus to the demand-lead economic growth witnessed in the City for the period 2000-2004.

The plight of the clothing and textiles industry is of particular concern given its contribution to job creation and economic growth.

The demography of Cape Town is similar, in terms of urban concentration trends, to that of the remaining four metropolitan municipalities across the country. Two distinct economies are evident, namely, the first and second economies. The first economy is characterised by a well structured environment catering for the affluent segment of the population, while the second economy is characterised by under-development, operating in the midst of poverty.

Some of the key challenges for the City are poverty, housing backlogs, health issues and crime. Informal settlements and backyard shacks are expanding. This highlights the shortage of low cost housing and the housing backlog which is estimated at 265 000 units.

HIV/Aids and TB infections are prevalent in the poorest communities (Khayelitsha & Nyanga) with infection rates on par with the rest of the country. However, in general the infection rates for the City are considerably lower when compared with the rest of the country.

Crime is a potential deterrent to investment flows into the municipality. There has been a significant increase in drug-related crime from 249,8 to 511,8 (per 100 000 people) between 2001/2 and 2004/5.[2] These figures may have consequences for economic growth and social development.

[1] Category A Municipality: Has exclusive municipal executive and legislative authority in its area i.e. one municipal council in the area. Category A municipalities are usually established in metropolitan areas.

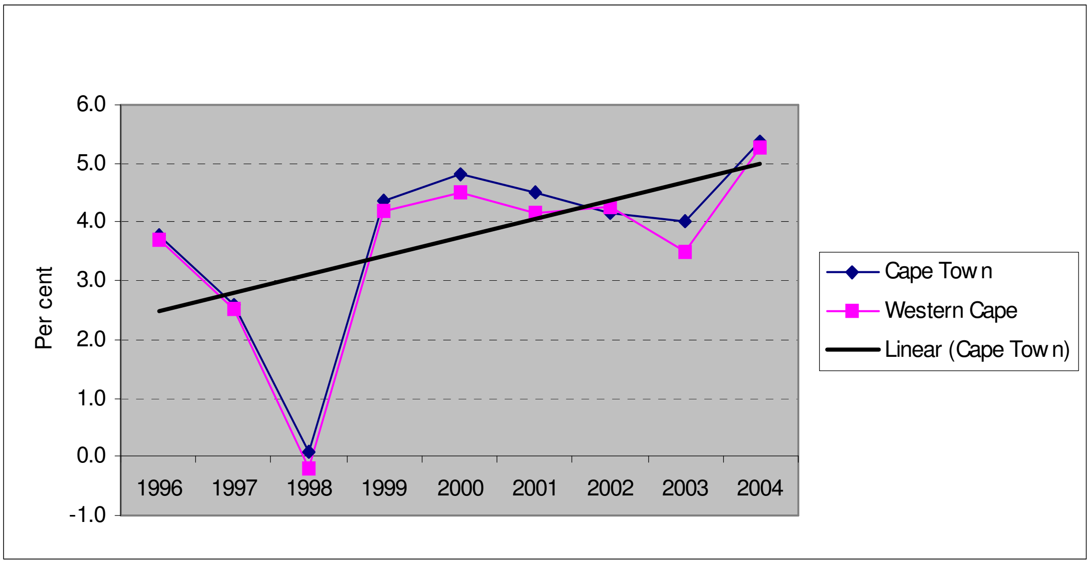
[2] SAPS (2005)

Economic Outlook: City of Cape Town

The City of Cape Town is the economic powerhouse of the Western Cape region. This is evident in the large contribution it makes to the Western Cape's annual Gross Domestic Product by Region (GDPR)[3] accounting for 76,5 per cent of the Western Cape's GDPR in 2004.

The City grew at an annual average rate of 3,7 per cent between 1995 and 2004 and it contributed approximately 11,2 per cent to national Gross Domestic Product (GDP) or R106 billion in 2004 (2000 prices). According to Figure 1 below, the City of Cape Town grew on par with the Provincial economic growth rate from 1996 to 2004. In 1998, the City of Cape Town and the Western Cape experienced slower growth rates of 0,1 per cent and -0,2 per cent respectively.

Figure 1: GDPR growth trends: Cape Town vs WC, 1996-2004



Source: Own calculations; Quantec dataset

The 1998 dip was experienced throughout the City, the Western Cape and the country. The national economy bore the brunt of the currency depreciation and the emerging market crisis amongst other factors. The impacts associated with these events also impacted the local municipalities, including the City of Cape Town.

The economic revival in 1999 was characterised by low interest rates, appreciation of the Rand and buoyant foreign direct investment prospects.

The City's local economy grew at an average annual rate of 3,7 per cent between 1995 and 2004. Considering the economic growth rate of 4,5 per cent between 2000 and 2004, it becomes apparent that the local economy's growth dynamics improved significantly during this period.

The City has witnessed a number of growth-enhancing developments recently, including:

- The introduction of the International Convention Centre,
- Property investment boom in the Central Business District (CBD),
- Marketing initiatives aimed at expanding the already buoyant tourism sector , and
- Rigorous participation in a number of national development programmes such as the Extended Public Works Programme (EPWP) and Urban Renewal Programme (URP).

[3] Gross Domestic Product by Region – The GDPR of a particular area amounts to the total income or payment received by the production factors (land, labour, capital, and entrepreneurship) for their participation in the production process within that area. See www.wikedia.org

A notable strength of the City is its well-diversified economy. However, in line with global trends there has been a gradual shift towards the services sectors since 1995.

The Finance and Business Services sector contributed 31,7 per cent to the City's GDPR for 2004, while Wholesale & Retail Trade (17,3%), and Manufacturing (17,9%) were also important contributors.

The Manufacturing (1,7%) and Agriculture (1,8%) sectors experienced low growth between 1995 and 2004 while mining experienced a decline averaging 11,5 per cent per annum. The Manufacturing sector growth was adversely affected by the strong rand exchange rate, which significantly reduced the value of exporter earnings in the manufacturing sector.

Sectors registering faster growth include Transport & Communication (6,8%), Wholesale & Retail Trade (5,7%), and Finance & Business services (5,0%).

Trade

While exports to the rest of the world originating from Cape Town gradually increased for the period 2001-2005, a brief decline of 8,0 per cent was experienced between 2003 and 2004.

The City's exports to the rest of the world have increased by 62 per cent from R15,7 billion to R25,4 billion for the period 2001-2005. However, growth in imports outstripped export growth, increasing by 84 per cent from R27,7 billion to R50,8 billion for the same period.

This resulted in a rising net trade deficit of R25,4 billion in 2005, up from R12 billion in 2001. The trend of widening trade deficit is mirrored across the South African economy which may increase vulnerability to international risks.

Table 1: City of Cape Town Export Composition, 2005

Rank	Product description	R' million(2005)	% Share of total exports
	Total exports	**25,399.83**	
1	H27: Mineral fuels, oils, distillation products, etc	6,943.48	27.3
2	H08: Edible fruit, nuts, peel of citrus fruit, melons	3,452.17	13.6
3	H03: Fish, crustaceans, molluscs, aquatic invertebrates	2,036.48	8.0
4	H84: Nuclear reactors, boilers, machinery, etc	1,753.55	6.9
5	H71: Pearls, precious stones, metals, coins, etc	1,475.91	5.8
6	H85: Electrical, electronic equipment	1,183.06	4.7
7	H39: Plastics and articles thereof	648.84	2.6
8	H54: Manmade filaments	541.65	2.1
9	H87: Vehicles other than railway, tramway	434.55	1.7
10	H38: Miscellaneous chemical products	420.05	1.7

Source: Wesgro export/import trade data: City of Cape Town (2006)

The plight of local clothing and textile manufacturers has been well documented to date. The Department of Trade and Industry's (DTI) proposed implementation of quotas on Chinese manufactured imports is an indication of the severity of the problem.

A major concern is the competitiveness of local exports and the strength of the local currency (Rand) which has resulted in reduced competitiveness for South African exports (including the City).

Major countries from which imports are sourced include: Iran (15,0%), Saudi Arabia (13,0%), China (11,9%), Germany (7,0%) and the United Kingdom (6,2%).

Table 2: City of Cape Town Import Composition, 2005

Rank	Product description	R' million(2005)	% Share of total imports
	Total imports	**50,791.33**	
1	H27: Mineral fuels, oils, distillation products, etc	21,999.54	43.31
2	H85: Electrical, electronic equipment	4,011.78	7.90
3	H84: Nuclear reactors, boilers, machinery, etc	3,663.81	7.21
4	H39: Plastics and articles thereof	1,411.27	2.78
5	H30: Pharmaceutical products	1,374.48	2.71
6	H22: Beverages, spirits and vinegar	1,180.49	2.32
7	H64: Footwear, gaiters and the like, parts thereof	1,133.59	2.23
8	H62: Articles of apparel, accessories, not knit or crochet	1,003.44	1.98
9	H90: Optical, photo, technical, medical, etc apparatus	981.58	1.93
10	H29: Organic chemicals	810.72	1.60

Source: Wesgro export/import trade data: City of Cape Town (2006)

In 2005 Cape Town had net imports valued at R25 billion.[4] The net trade deficit has been increasing steadily for the period 2001-2005 with an average annual growth rate of 20,5 per cent per annum (p.a.).

In absolute terms, the trade deficit has increased from a modest R12 billion to the current R25 billion. However, the net trade deficit is not as severe as it appears. While there has been a steady increase in the deficit for the period 2001-2005, exports have enjoyed moderate year- on-year increases (12,9% p.a.) albeit slower than that of imports. This trend is consistent with the national trend given strong domestic demand and a widening trade deficit.

Major Trading Partners

The major destinations for exports from Cape Town are the United Kingdom (10%), Mozambique (8%), Belgium (7%) and the United States (6%).[5] The United Kingdom, United States, and Mozambique have consistently been major export destinations for Cape Town for the period 2001-2005. Belgium has recently established itself alongside the above-mentioned countries in the export category.

Of the top ten traded goods, mineral fuels & oil products dominate both imports and exports for the period 2001-2005. In this category imports have doubled for the period 2001-2005, escalating from 18,0 per cent in 2001 to 43,3 per cent in 2005. Total energy exports have also increased substantially from 17,0 per cent in 2001 to 27,3 per cent in 2005.

Sector contribution to GDPR 1995-2004

The three key sectors in terms of contribution to GDPR are Finance and Business services, Wholesale and Retail Trade, and Manufacturing. The phenomenal performance of the Finance services sector in particular has been a key driver of GDPR in the period 1995-2004.

However, in relation to the overriding objective of national economic policy, i.e. job creation, the performance of the manufacturing sector is of strategic importance. Unlike the financial and business services sector, the manufacturing sector contributes to both economic growth and job creation.

[4] Wesgro export/import trade data: City of Cape Town (2006).

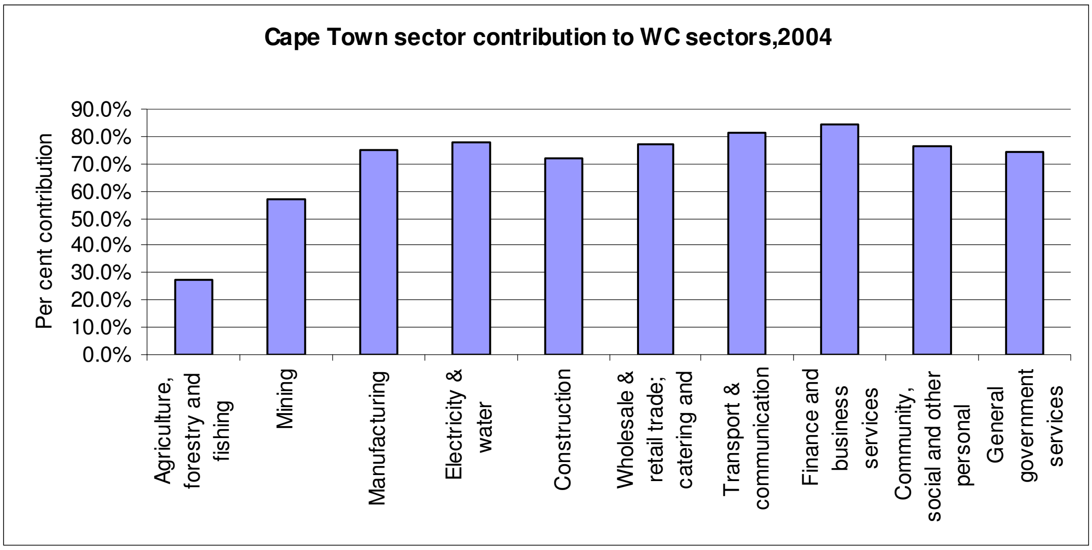
[5] Wesgro export value HS4 data by Province & District council (2005).

With the extent of media attention given to the plight of the local clothing and textiles industry, mainly as a result of cheap imports and the impact of exchange rate volatility, effective policy implementation is essential to harness this valuable contributor to GDPR.

The graph below depicts the City's contribution to the Western Cape for each sector. Of the ten key sectors reviewed, the overall average contribution is above 70,0 per cent, indicating the extent of the City's influence on the Western Cape economy.

The Finance & Business Services sector is heavily concentrated in the City accounting for 84,4 per cent, while a number of other key sectors including: Manufacturing (75%), Wholesale & Retail Trade (77,1%), Electricity & Water (78,1%), and Transport & Communication (81,5%) follow this trend closely.

Figure 2: City sectoral contributions to Western Cape GDPR, 2004

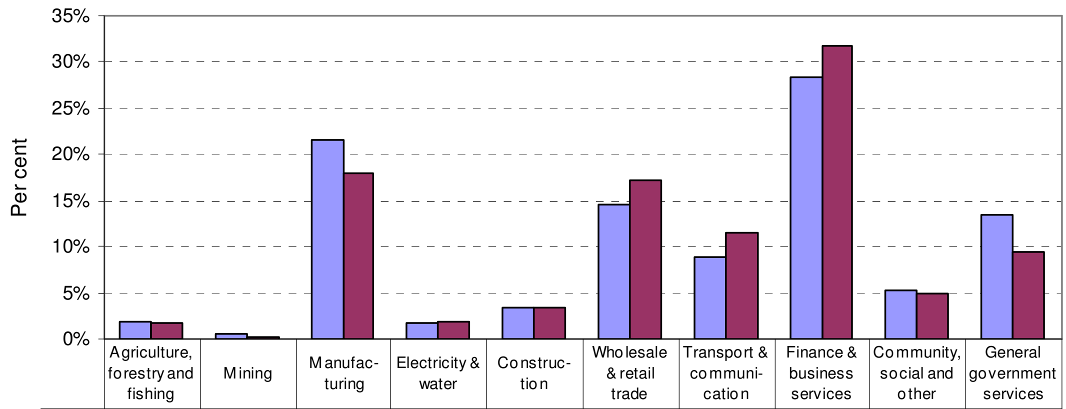


Source: Own calculations based on Quantec Research

A closer look at figure 2 above reveals the importance of the City to economic activity in the Western Cape. The City made a contribution of 70 per cent or more in all but two (Mining & Agriculture) of the major sectors, and as a result the growth/decline of the City's key sectors will determine the overall impact on the final GDPR figure for the Western Cape.

Figure 3 below, provides point estimates of the contribution of key sectors to GDPR for 1995 and 2004.

Figure 3: City sectoral contribution to GDPR, 1995 and 2004



	Agriculture, forestry and fishing	Mining	Manufac-turing	Electricity & water	Construc-tion	Wholesale & retail trade	Transport & communi-cation	Finance & business services	Community, social and other	General government services
1995	1.9%	0.6%	21.5%	1.8%	3.4%	14.6%	8.9%	28.4%	5.4%	13.5%
2004	1.6%	0.2%	17.9%	1.9%	3.4%	17.2%	11.6%	31.7%	5.0%	9.4%

Source: Quantec Research and own calculations.

At a glance, Agriculture, Construction and Electricity have a relatively low impact on the economy of the City when assessed in terms of their contribution to overall GDPR, which is below 5 per cent. All of them have made little or no progress in their share of GDPR for the period 1995–2004. While the above-mentioned sectors' contribution to GDPR might be minimal, a notable upward surge is evident in their average growth rates for the period 2000-2004 *(see Economic Infrastructure).*

However, Manufacturing, Finance & Business Services, and Wholesale & Retail Trade were the three largest contributors to GDPR in the City for the period 1995-2004. Of the three key contributors mentioned above, only the contribution to GDPR of the Manufacturing sector has reduced since 1995.

Table 3 below illustrates the drive towards improving the economic infrastructure in key areas to further boost economic growth. While the aggregate total has increased steadily for the period 1995-2004, the share of key strategic sectors has been particularly impressive.

Notable growth is evident in Wholesale & Retail Trade (9,7%), Electricity & Water (7,1%), Manufacturing (5,4%), and Construction (5,1%) for the period 2003-2004. These growth trends are consistent with the current economic climate.

The strong performance of these sectors is a result of a surge in consumer demand and the implementation of national growth strategies (ASGISA)[6]. The expansionary fiscal stance adopted by the government has created a consumer-friendly economic climate.

[6] ASGISA-Accelerated and Shared Growth Initiative for South Africa

Table 3: City of Cape Town GDPR, 1995-2004

Sector	GDPR 2004,Constant 2000 Prices, Rm	Average annual growth 1995-2004 (%)	Average annual growth 2000-2004 (%)	Annual growth 2003-2004 (%)
Agriculture, forestry and fishing	1,736	1,83	1,03	1,40
Mining	163	-11,47	-2,49	2,00
Manufacturing	19,338	1,67	1,82	5,40
Electricity & water	2,016	4,28	4,73	7,12
Construction	3,709	3,93	5,04	5,13
Wholesale & retail trade; catering and accommodation	18,589	5,65	5,80	9,71
Transport & communication	12,479	6,86	6,11	5,40
Finance and business services	34,191	5,00	6,61	5,33
Community, social and other personal services	5,389	2,90	2,40	1,24
General government services	10,168	-0,34	1,11	0,86
Total	**107,777**	**3,73**	**4,51**	**5,38**

Source: Quantec Research and own calculations.

Finance & Business Services

The rapid growth of this sector, estimated to be over 6 per cent p.a., has seen its share of GDPR rise from 28,4 per cent in 1995 to 31.7 per cent in 2004. This steady rise off a somewhat high base underlines its importance to the overall size of the annual GDPR figure for the City of Cape Town. This sector has significant levels of investment as Finance, insurance and real estate are responsible for almost one third of overall investment in the metropole.

The sector which absorbs the majority of the City's highly skilled labour force has a relatively low labour absorption rate, which is in stark contrast to its significant contribution to GDPR. It has a slow rate of job creation of 1 per cent p.a. The two key sub-sectors which have contributed to the success of the financial services sector are asset management and, more importantly, insurance, with the headquarters of South Africa's top listed insurance companies in the City.

Call centres and BPO providers form part of a significant industry in the metropole whilst continuing to grow at a rapid rate. It is estimated that the industry grew at nearly 25 per cent last year.

This industry aligns itself agreeably with the overall economic objective of job creation as it is relatively labour intensive. Job creation is estimated to be in the order of 92 400 jobs to date, with opportunities in management and support.

While the labour costs in comparison to competitors are high, the supply of semi-skilled workers in the metropole make the City an attractive option for companies especially for the complex voice based services in the financial services industry.

Wholesale & Retail Trade, Catering and Accommodation

The third major contributor to GDPR is the Wholesale & Retail Trade which contributed 17,2 per cent towards the overall GDPR figure for the City in 2004. This sector has consistently been an important component of GDPR for the period 1995-2004.

Recently, the sector has experienced substantial growth as a result of the favourable macro-economic climate given the relatively low interest rates, low inflation, lower import prices (as a result of the appreciating Rand/$ exchange rate) and higher disposable incomes.

The buoyant macro-economic environment spurred the local retail market towards specialist stores, an increase in market share by well known brands via the establishment of franchises and the purchasing of smaller independent retailers as a means of controlling distribution and acquisition costs.[7]

A steep surge in telecommunications (mobile phones and airtime), grocery and convenience stores was also evident as a result of increasing market and consumer demand.

The spending boom, attributed to better growth in real wages, filtered through to the lower income segment as well. In spite of high unemployment figures, traders of mass market goods saw an increase in consumer spend for this category.

Gender equity is a prevalent feature in current recruitment policy so this sector is expected to increase as women remain the biggest purchasers of food as a grouping. Unsurprisingly, the revenues of Pick 'n Pay, Shoprite, Spar and Woolworths have increased resulting in record profits and increasing company share prices on the JSE. [8] The informal retail sector also enjoyed robust growth.

The favourable economic climate extends to the top-end of the market where spending activity is buoyant. The increased purchases of durable goods (motor vehicles, Furniture, household equipment, electronic goods, hardware and jewellery) is borne out of the higher disposable income enjoyed as a result of increased business confidence as well as both accommodative fiscal and monetary policy being adopted.

Manufacturing

Manufacturing and the employment dynamics

As a consequence of trade liberalization, clothing and textiles have encountered trying times. The recent strength of the rand has added to the woes of exporters in the industry, resulting in losses and closures.

Moreover, the comparative advantage (RCA-indicating China's advantage in terms of efficient factors of production such as labour, capital and technology, as opposed to competitor countries) of Chinese manufacturers has been cited as an overwhelming factor in the flooding of local markets with these cheap imports.

Policy action is required to facilitate and encourage efficiency enhancement of the entire production pipeline. Also, the DTI has proposed the implementation of quotas on Chinese imports which has not been well received by local retailers. Skills development in the clothing and textiles industry is of particular importance and should include the incorporation of smaller firms, and particularly CMT operators.

Among the constraints local exporters are besieged with include:

- limited access to requisite textile fabrics,
- discount offered to importers in the purchase of Duty Credit Certificate's, and
- inefficient enforcement of trade tariffs and duties, which could limit import penetration and stimulate local production.

Effective trade agreements between South Africa and key export markets would not only allow a viable end destination for local products, but also enable local manufacturers' access to affordable, cost-competitive inputs.

In this regard, WESGRO is an important facilitator in achieving the overall objective of growth and job creation within the clothing and textiles industry in the City of Cape Town. This pro-active approach is deemed necessary given the RCA of growing exporters such as China and India.

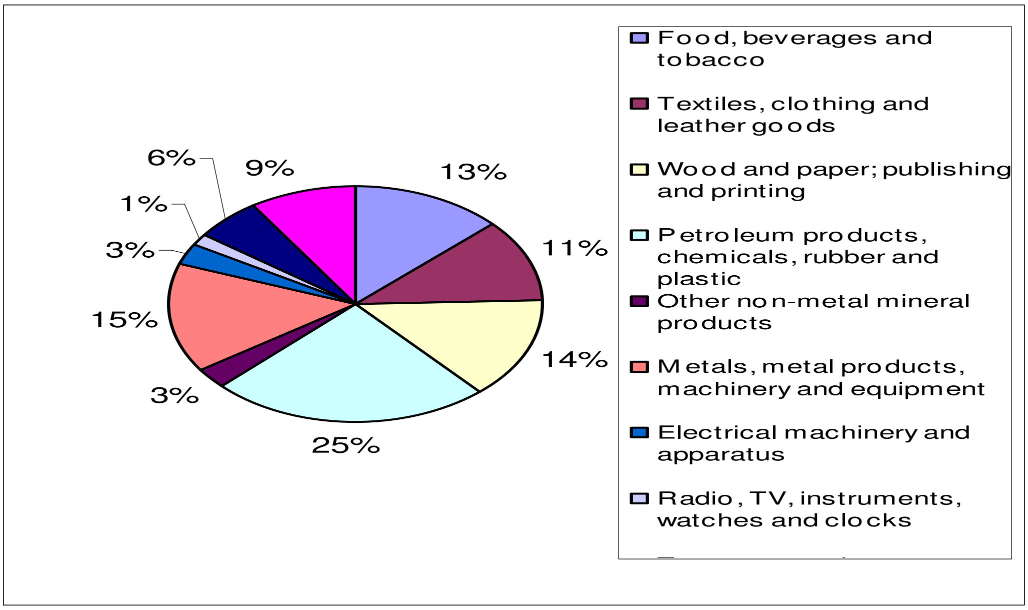
[7] WRF sector research for the Western Cape Department of Economic Development & Tourism Project 'MEDS', 2006.

[8] JSE-Johannesburg Stock Exchange

Petroleum, Chemicals and Rubber products (25,0%), Metals (15,0%), and Wood and Paper (14,0%) dominated the Manufacturing sector in 2004.

Textiles, clothing and leather goods contributed 11,0 per cent in 2004 while electrical machinery and apparatus contributed a negligible 3,0 per cent of total manufacturing output.

Figure 4: City: Composition of the Manufacturing Sector: 2004



Source: Quantec Research: 2004

The reduction in the contribution of manufacturing to the overall GDPR from 21,5 per cent (1995) to 17,7 per cent (2004) is of particular concern given the importance of the manufacturing sector to the overall economic well-being of the City.

The slowdown in the sector can be attributed to the appreciating Rand/$ exchange rate and the relatively low export volumes of South African clothing & textiles to the rest of the world. This is as a result of a lack of competitiveness of local exports (partly due to Rand strength) as well as increased competition from cheaper imports originating from China and India.

The general consensus amongst economists is that local manufacturers are non-competitive, with increased competition due to global trade liberalisation. This view may be attributed to a higher cost structure than foreign competitors and inability to achieve economies of scale.

Lead times are also lengthy so local manufacturers should align their products with more specialised niche markets where longer lead times and higher costs are acceptable given the improved quality of the products.

In relation to diversification within the manufacturing sector, the City has a tress index[9] of 41,1. This reflects a relatively diversified sector and therefore lessens the risk of vulnerability to adverse climatic conditions and oil price fluctuations.

[9] Tress Index – The level of diversification or concentration of a region's economy is measured by a tress index. A tress index of zero represents a totally diversified economy while a higher index (closer to 100) reflects a more concentrated economy.

Table 4: City of Cape Town Manufacturing sub-sector performance, 1995-2004

Industry	R million (2000 prices) 2004	Annual Growth (%) 1995-2004	Annual Growth (%) 2000-2004	Growth, 2003-2004 (%)
Food, beverages and tobacco	2,524	0.2	0.8	7.9
Textiles, clothing and leather goods	2,186	-0.5	2.1	6.3
Wood and paper; publishing and printing	2,718	0.0	0.0	4.8
Petroleum products, chemicals, rubber and plastic	4,708	4.8	1.8	4.5
Other non-metal mineral products	545	-0.2	3.8	8.4
Metals, metal products, machinery and equipment	2,885	2.6	4.5	4.2
Electrical machinery and apparatus	565	2.5	0.1	1.6
Radio, TV, instruments, watches and clocks	283	0.0	2.1	10.4
Transport equipment	1,136	3.4	3.3	7.4
Furniture and other manufacturing	1,789	0.8	1.0	4.4
Total	**19,338**	**1.67**	**1.82**	**5.40**

Source: Quantec Research: 2004

Investment Climate

The outlook for fixed investment in the City remains positive despite the recent interest rate hikes. It is expected that the public sector infrastructure drive will crowd in private sector contributions to this sector, thereby boosting overall fixed investment figures.

Transnet's commitment to the infrastructure upgrade of the City's harbour and rail networks will allow better economic interaction between the City and the rest of the country. In addition, Eskom is planning to deepen its capital expenditure which will provide a further boost to the City.

Capital investment in the City has increased steadily for the period 2001-2005. This is based on the gradual upward trend of gross fixed capital investment figures for this period. Predictably, the Finance & Business services sector is leading the way followed by the dwindling Manufacturing sector.

Also, featuring prominently is Transport & Communication, and Wholesale & Retail Trade. A significant observation is the mergence of a few sectors which are rapidly increasing their share of fixed capital investment, namely: Electricity, Gas and Water, and Construction.

The figures serve as further proof of the increased emphasis placed on upgrading the infrastructure required to meet economic growth targets both regionally and nationally.

Table 5: City of Cape Town Gross Fixed Capital Investment, 1995-2005

Industry	Gross domestic fixed investment % change YoY		Average annual growth 1995-2005 (%)	Gross domestic fixed investment (2005), Rm
	2001	**2005**		
Agriculture, forestry and fishing	1,0	-0,1	-1,19	231
Mining and quarrying	-1,9	-9,2	-7,30	33
Manufacturing	0,6	4,8	2,37	4 051
Electricity, gas and water	0,4	15,2	2,56	832
Construction	12,6	12,1	12,44	491
Wholesale and retail trade, catering and accommodation	6,3	9,7	7,15	1 754
Transport, storage and communication	1,7	8,5	7,29	3 217
Finance, insurance, real estate and business services	4,3	11,1	4,98	7 934
Community, social and personal services- other	10,3	6,6	13,47	490
General government	3,5	6,2	4,03	1 929
Total	**3.2**	**8.8**		**20 961**

Source: Own calculations based on Quantec research

Community, Social & Personal Services (13,5%), Construction (12,4%), Transport, Storage and Communication (7,3%), and Wholesale & Retail Trade, Catering and Accommodation (7,2%) have enjoyed the largest year on year growth in terms of Gross Fixed capital investment. For these sectors, there is a correlation between Fixed Capital Investment and sectoral GDPR growth for the period 1995-2005.

Transport, Storage and Communication (6,9%), Wholesale & retail trade, catering & accommodation (5,7%), and Construction (5,0%) recorded significant GDPR average annual growth levels for the period 2000-2004. This is a clear indication of the associated impact that Gross Fixed Capital Investment has on GDPR growth, allowing for additional capacity to meet growing levels of demand.

Economic Infrastructure

Air

Cape Town International Airport serves both domestic and international flights. It is the second-largest airport in South Africa and serves as a major gateway for travellers to the Western Cape region. Cape Town has direct flights to most cities in South Africa as well as a number of international destinations. Current renovations include several large new parking garages, a revamped domestic departure terminal and a new international terminal. The airport's cargo facilities are also being expanded and available vacant land is being developed into office space and hotels.

Ports

Cape Town has a long tradition as a port city. The City’s main port is located in Table Bay directly to the north of the central business district. The port is a hub for ships in the southern Atlantic as it is located along one of the busiest shipping corridors in the world. The Port of Cape Town is also a busy container port, second in South Africa only to Durban. In 2004, it handled 3 161 ships and 9,2 million tons of cargo. Simon’s Town harbour on the False Bay coast of the Cape Peninsula is the main base of the South African Navy.

Rail

Metrorail operates a commuter rail service in Cape Town and the surrounding area. The Metrorail network consists of 96 stations throughout the suburbs and outskirts of Cape Town. Passenger rail operations, supplied by Spoornet, operate two long distance rail services from Cape Town. This consists of a daily service to and from Johannesburg via Kimberley and a weekly service to and from Durban via Kimberley, Bloemfontein and Pietermaritzburg.

Roads

Three national roads start in Cape Town: the N1 which links Cape Town with Bloemfontein, Johannesburg, Pretoria and Zimbabwe; the N2 which links Cape Town with Port Elizabeth, East London and Durban; and the N7 which links Cape Town with the Northern Cape Province and Namibia.

The City also has a system of freeway and dual carriageway M-roads, which connect different parts of the City. The M3 splits from the N2 and runs to the south along the eastern slopes of Table Mountain, connecting the City Bowl with Muizenberg. The M5 splits from the N1 and links the Cape Flats to the CBD. The R300, which is informally known as the Cape Flats Freeway, links Mitchells Plain with Bellville, the N1 and the N2.

Electricity

The increased investment in the Electricity, Water & Gas sector is welcomed with increasing demand coming from previously excluded areas and a surge in business activity. The improved capacity associated with the increased investment is key to ensuring positive sustainable growth in the City. Electricity is supplied by Eskom from the nearby Koeberg power plant situated on the West Coast. Additional power is also supplied from the Mpumalanga Province in the north of the country.

RED 1: Recent developments

In 1997, the National Cabinet approved the restructuring of the electricity distribution industry to a model of Regional Distributors (REDs). The REDs are aimed at fast tracking access to electricity to all of South Africa's households, while providing low-cost, reliable and quality electricity with equitable tariffs to all. The Regional Distribution One (RED1) is one of six REDs, which forms part of government's restructuring of the Electricity Distribution Industry (EDI).

The Cape Town based RED1 was launched in July 2005. RED1 would include 40 municipalities, sixteen district councils and the metropolitan area of Cape Town. However, some players contested the establishment of the REDs.

Municipalities feel that the REDs will have a negative effect on their revenues as they generate most of their income from electricity distribution. The Medium-Term estimate for 2006/07 for the City of Cape Town electricity accounts for 29 per cent of own revenue.

In the latest developments, the EDI Restructuring Bill will be submitted to Parliament in early 2007. The Bill intends to make it obligatory for all the municipalities to join in the restructuring process and thereby accelerate the execution of REDs.

Water

Global warming, changing weather patterns and population growth will place a burden on water resources in the City. Water availability, as well as backlogs in the water and sewerage infrastructure, will require investment to ensure sufficient water resources to sustain economic and population growth. The City ranks highest amongst major South African cities with 79,2 per cent of residents satisfied with levels of service relating to water and sewerage.[10]

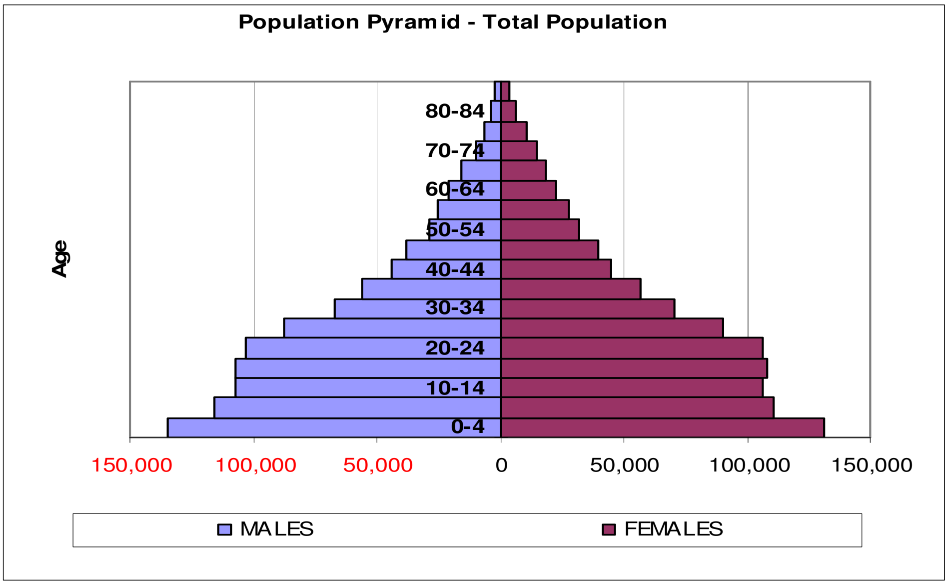
[10] City of Cape Town IDP review 2006/2007, p10. (Draft)

Demographic profile

Cape Town is the main urban centre of the Western Cape. The population of Cape Town increased by 1,6 per cent annually from 2,994 million to 3,239 million people (65,0% of the Western Cape population) in the period 2001-2006.

The population is projected to grow at an average annual rate of 1,0 per cent for the period 2006-2010 to 3,368 million people by 2010. By 2014, the population is projected to grow to 3,448 million at an average annual growth rate of 0,6 per cent. Cape Town's population as a proportion of the total Western Cape population is projected to remain stable at 65,0 per cent in 2010 and 2014.

Figure 5: City of Cape Town: Population Pyramid - total population: 2006



Source: Centre for Actual Research, 2005 (Population projections for the Western Cape 2001 – 2025)

Based on the population projections for 2006, about 46,0 per cent of Cape Town's population is classified as Coloured, African (34,0%), White (18,0%) and Asian (1,0 %). The median age for Cape Town is 27 years (for 2006). The normal age dependency [11] for 2001 was 47,0 per cent and it is expected to decline slightly to 45,5 per cent in 2006 and increase marginally to 45,9 per cent by 2010.

All age cohorts experienced positive growth between 2001 and 2006 except for the 10-14 and 15-19 cohorts, which declined by 0,3 per cent and 1,5 per cent respectively. Faster growth was registered for older age cohorts i.e. above 40 years of age, with the highest growth in the 55-59 years age cohort, which grew by 5,01 per cent per annum. The young age cohorts grew by less than 2 per cent per annum on average.

Population scenarios

An alternative population projection model has been suggested by the City of Cape Town as follows:

The population of Cape Town is estimated to be 3,239,768 people in 2006. Growth rates are projected to reduce from 1.6% per annum to 0.2% by 2021. The projected total number of people in Cape Town for the year 2021 is (high projection) 4,055,219 people; (middle projection) 3,509,033 or (low projection) 3,356,631 people.

The middle projection indicates that over the next 15 years the growth of the City of Cape Town will slow dramatically. The projection suggests that from 2006 to 2021, the population will g*Business Process Outsourcing*

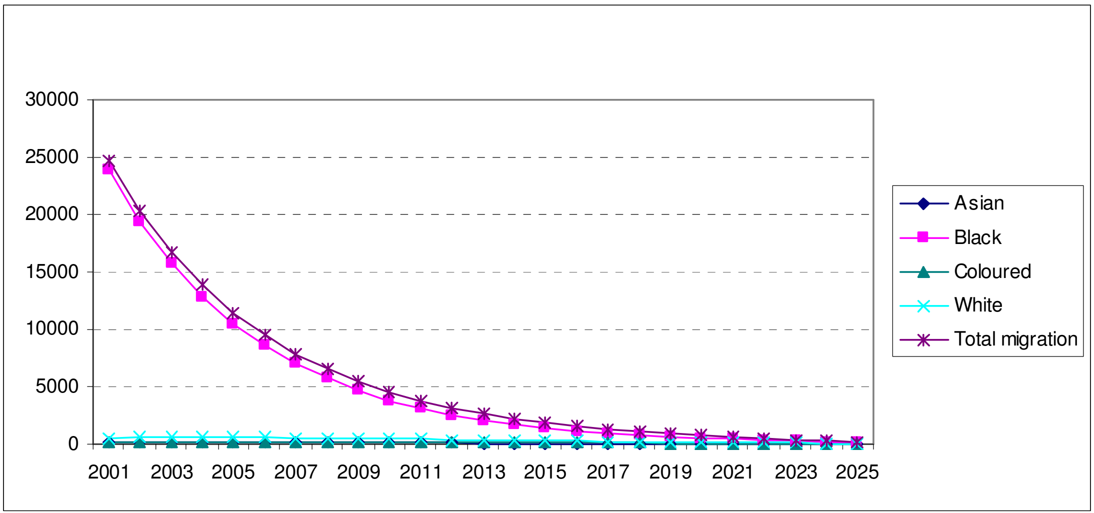
[11]Total number of 0-14 year-olds plus 65+ year olds / working age population i.e. number of 15-64 year olds.

Migration

Figure 6 below shows projected net migration in Cape Town for the period 2001 to 2025. Following major policy changes in the country, total net migration was at high levels in 2001 and the succeeding years but the general trend indicates a steady decline up to 2025. This suggests that migration has already peaked and no large influxes are expected in the near future.

The highest net migration for the period 2001-2006 was in the African population group, while there was relatively low net migration for the other population groups. The abolition of restriction of movement has resulted in movement of African people to the City in search of improved prospects, i.e. employment, basic services and education.

Figure 6: City of Cape Town Migration Trend per Racial Group, 2001-2025



Source: Centre for Actuarial Research, 2005 (Population projections for the Western Cape 2001 – 2025)

Labour market profile

The Manufacturing sector is a major contributor to the local job market, consuming a large part of the City's semi-skilled workforce. The recent hard-ship faced by local manufacturers has resulted in unavoidable job losses across the City. The booming Financial & Business Services sector has absorbed a large portion of the City's highly skilled workforce. The policy implication is that the largest decline in the contribution to employment (-4,9%) shows no immediate signs of recovery to acceptable levels.

Table 6 below shows the trend in employment and unemployment in Cape Town for the period 1995-2004. The results of the Labour Force Survey (LFS) 2004, are not readily interpretive due to the small sample size, i.e. breaking down provincial data into districts makes the applicable sample smaller, and hence the results are mere pointers of the underlying trends and not categorical indicators.

The working age population (15–64 years) in Cape Town increased by 20,6 per cent between 1995 and 2004 while the number of economically active people increased by 16,2 per cent during this period. Employment in the formal sector declined by 1,7 per cent while the informal sector experienced an increase in employment of 68 per cent. Unemployment in Cape Town rose, from 17,3 per cent in 1995 to 23,4 per cent in 2004, which represents an increase of 6,1 per cent. The mismatch between the skills supply and demand remains a challenge for Cape Town.

Table 6: City of Cape Town Labour Market, 1995-2004

	1995	2004	% Change 1995-2004
Population 15-64	1,644,864	1,983,916	20,6
Economically active	1,014,102	1,178,436	16,2
Not Economically Active	630,762	805,480	27,7
Employment: Formal	727,538	715,505	-1,7
Informal Employment	111,412	187,201	68,0
Total Employment	838,951	902,706	7,6
Unemployed	175,152	275,730	57,4
Unemployment %	17.27	23.40	6,1

Source: Quantec, Research using Statistics SA SEE & LFS for 2004

The average growth rate in the City's wages for the period 1996-2004 was 9,6 per cent, which is marginally more than the 8-9 per cent average increase experienced by other Districts throughout the Western Cape for the same period. The City's contribution to total compensation is 76 per cent of the Provincial figure, which is in line with the overall contribution to GDPR which is also greater than 75 per cent.

Business Process Outsourcing

Policy options in this arena have to foster the growth potential and enhance the sustainability of sub-sectors such as call centres and business process outsourcing (BPO) providers. The major policy advances in this regard are:

1. Encourage Business Process Outsourcing in insurance and asset management.
2. Work with banks to encourage low cost access to financial services.
3. Further encourage BEE procurement that has received a boost from the Financial Services Charter.
4. Enhance training in financial services working with SETA's as well as the industry and the possible establishment of a Financial Services Academy.

The tourism industry is large with a multiplicity of stakeholders and role players. The City's tourism growth rates are in excess of national and international averages due to its uniqueness, high quality and value for money. The potential job creation from the tourism industry in the City makes it a priority. A number of sub-sectors, including Call centres, Transport, Retail and Accommodation benefit from the high tourism levels in the City.

Employment by economic sector

Table 7 below shows the contribution to employment of each economic sector in 2004. The sectors employing the largest proportions of the City's population are Finance & Business Services (19,5%), Manufacturing (19,4%), Wholesale & Retail Trade (17,9%), General Government Services (18,8%), and Community, Social and Other Personal Services (15%).

The remaining sectors contributed marginally to employment. In the period 1995-2004, sectors such as Finance & Business Services (5,9%), Community, Social and Other Personal Services (3,7%), Wholesale & Retail Trade (2,7%) increased their contribution to employment and created sustainable jobs, while the largest decline in contribution to employment was registered in Manufacturing (4,9%).

Table 7: City Sectoral contribution to formal employment, 1995 - 2004

Sector	Change in % Contribution	2004 % Contribution
Finance and business services	5.90	19.46
Community, social and other personal services	3.66	14.96
Wholesale & retail trade; catering and accommodation	2.66	17.93
Agriculture, forestry and fishing	0.02	1.96
Mining	-0.06	0.32
Electricity & water	-0.13	0.40
Transport & communication	-1.54	3.03
General government services	-2.38	16.87
Construction	-3.28	5.62
Manufacturing	-4.85	19.43

Source: Source: Quantec Research using Statistics SA SEE & LFS for 2004

Social Well-being

This section analyses the state of development in Cape Town using the City Development Index (CDI) and the Human Development Index (HDI). There is an overlap between the two development indices in terms of components such as income, education and health.

City of Cape Town Level of living index

The CDI and HDI are more valid and appropriate at a Metro/Regional/National scale. The City of Cape Town uses a level of living index to identify the distribution of social deprivation and highlight areas of greatest need.

This composite index is derived from attributes such as low income, low educational attainment, high unemployment, jobs in relatively unskilled occupations and the degree of access to a range of services.

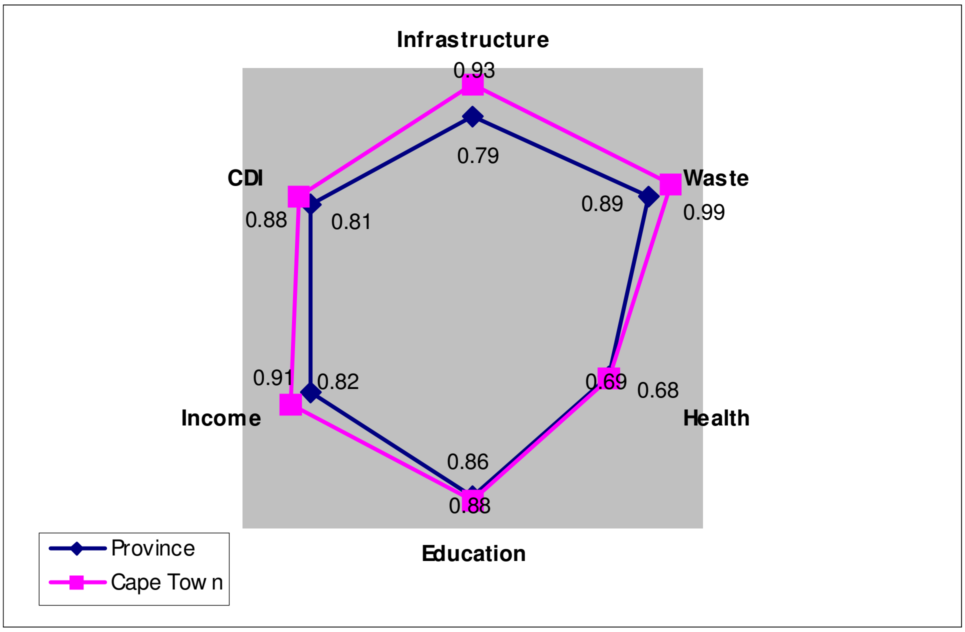
A paper on the Spatial Variations in Levels of Living can be found on the following website:

http://wcms.capetown.gov.za/eDocuments/Levels_of_Living_Report_1032006143349_.pdf

City Development index (CDI)

The City Development Index (CDI) is an average of the following indices: infrastructure[12], health[13], education[14]and income[15]. Overall, the City has a higher CDI of 0,88 compared to 0,81 for the rest of the Western Cape Province (see Figure 7 below). Cape Town out-performed the rest of the province in terms of infrastructure, income and waste disposal. This is expected given the significant share of the Metro's contribution to economic activity.

Figure 7: CDI, City of Cape Town vs Province, 2005



Source: Measuring the State of development in the Western Cape –May 2005

[12] water, sewerage, telephone and electricity
[13] life expectancy, divided by infant mortality
[14] adult literacy and gross enrolment ratio
[15] mean household income

There are no significant differences between Cape Town and the Province in terms of health and education indices. A major concern is lower indices for both the City and the Province in the state of health as both indices are below 0,70. The school enrolment rate for the City is 95,7 per cent.[16] Given the role of City in the Western Cape (Metropole) to drive development, this figure as at September 2005, is moderate. A partial explanation could be the notable shortage of schools (156) in the City. A pupil-teacher ratio of 39, the highest ratio in the Western Cape (along with Eden), further indicates the trying situation in which the City's schools find themselves.

The extent of development/under-development differs from area to area. Table 8 below shows the state of development in selected areas in Cape Town. Khayelitsha, Nyanga, Langa, Gugulethu, Mitchell's Plain and Elsies River are evidently the poorest areas with CDI's that are below the provincial average of 0,81. The above-mentioned areas have the lowest levels of development in terms of infrastructure and health (which averages 0,6). However, waste disposal and education indices are better.

Table 8: City of Cape Town CDI (Selected suburbs - sorted by CDI), May 2005

Suburbs	Infrastructure	Waste	Health	Education	Income	CDI
Khayelitsha	0.60	0.95	0.60	0.94	0.69	**0.75**
Langa	0.55	0.96	0.60	0.96	0.70	**0.75**
Nyanga	0.60	0.97	0.60	0.95	0.69	**0.76**
Gugulethu	0.61	0.95	0.60	0.97	0.74	**0.77**
Mitchell's Plain	0.75	0.89	0.60	0.89	0.78	**0.78**
Elsies River	0.85	0.95	0.60	0.84	0.79	**0.80**
Kraaifontein	0.83	0.97	0.60	0.89	0.85	**0.83**
Atlantis	0.88	0.96	0.67	0.90	0.88	**0.86**
Somerset West	0.90	0.94	0.70	0.89	0.93	**0.87**
Cape Town	0.93	0.99	0.69	0.88	0.91	**0.88**
Hout Bay	0.92	0.99	0.67	0.88	1.00	**0.89**
Parow	0.95	1.00	0.71	0.95	0.92	**0.90**
Bellville	0.96	0.99	0.71	0.92	0.95	**0.91**
Goodwood	0.98	1.00	0.67	0.95	0.94	**0.91**
Durbanville	0.97	0.99	0.71	0.94	1.00	**0.92**
Melkbosstrand	0.96	0.97	0.71	0.94	1.01	**0.92**
Province	**0.79**	**0.89**	**0.68**	**0.86**	**0.82**	**0.81**

Source: Measuring the State of development in the Western Cape –May 2005

The remaining areas have CDI values that are above the Provincial average. Notably, Durbanville, Goodwood, Bellville and Cape Town performed extremely well in terms of infrastructure, income (above 0,90), waste and education indices. Health still has the lowest indices in these areas.

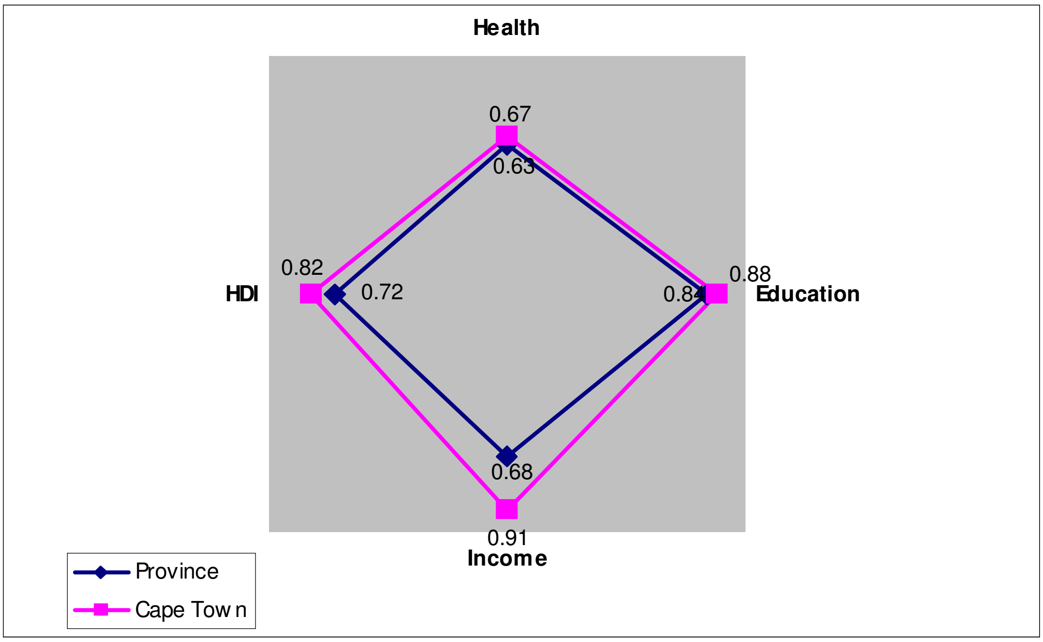
Human Development index (HDI)

The HDI is measured by averaging the following indices: health (based on life expectancy), education (based on adult literacy and gross enrolment indices) and income (based on mean household income).

The City has a higher HDI of 0,82 compared with the Provincial average of 0,72 and has performed particularly well in terms of income (0,91) and education (0,88). The challenge remains in the provision of healthcare where both the City and the Province performed less satisfactorily with indices below 0,7 (see Figure 8 below).

[16] All figures quoted from Western Cape Department of Education (2005)

Figure 8: HDI, City of Cape Town vs Province, May 2005



Source: Measuring the State of Development in the Western Cape –May 2005

Table 9 below summarises the state of human development in selected areas of Cape Town. The poorest areas are Khayelitsha, Nyanga, Elsies River and Langa. These areas have the lowest health indices averaging 0,47 and the income indices are below par. However, education indices are much better in these areas.

Areas such as Durbanville and Melkbossstrand performed well in terms of education and income indices. However, health indices for these areas are quite low, averaging 0,69.

Table 9: City of Cape Town HDIs, May 2005

Suburb	Health	Education	Income	HDI
Khayelitsha	0.47	0.90	0.69	0.69
Nyanga	0.47	0.91	0.69	0.69
Elsies River	0.47	0.82	0.79	0.70
Langa	0.47	0.92	0.70	0.70
Gugulethu	0.47	0.93	0.74	0.71
Mitchell's Plain	0.47	0.87	0.78	0.71
Atlantis	0.61	0.88	0.88	0.79
Cape Town	0.67	0.88	0.91	0.82
Hout Bay	0.61	0.89	1.00	0.83
Somerset West	0.68	0.89	0.93	0.83
Goodwood	0.61	0.95	0.94	0.84
Parow	0.69	0.94	0.92	0.85
Bellville	0.69	0.93	0.95	0.86
Durbanville	0.69	0.95	1.00	0.88
Melkbosstrand	0.69	0.95	1.01	0.89
Province	**0.63**	**0.84**	**0.68**	**0.72**

Source: Measuring the State of development in the Western Cape –May 2005

Multiple Deprivation Indicators

Deprivation refers to people's unmet needs, whereas poverty refers to the lack of resources required to meet those needs. This underpins the model of multiple deprivation. The calculation of the multiple deprivation indices encompasses the accumulation of single deprivations and this is one of the underlying concepts of the model.

An interesting observation of the correlations between domains indicates a close correlation between the Living Environment Deprivation and the Income Deprivation Domains while the Education Deprivation and Employment Deprivation Domains correlate least well with each other.

The overall Provincial Index of Multiple Deprivation (PIMD) for the Western Cape describes the wards in the region by combining information from all five domains: Income and Material Deprivation, Employment Deprivation, Health Deprivation, Education Deprivation and Living Environment Deprivation.

The overall PIMD score is the combined sum of the weighted, exponentially transformed domain rank of the domain scores. Therefore, the bigger the PIMD score, the more deprived the ward. A rank of 1 is assigned to the most deprived ward and a rank of 332 is assigned to the least deprived ward.

Provincial Deprivation Indicators

About 40 per cent of the most deprived wards in the Western Cape, based on the overall PIMD 2001, are within the City, followed by George municipality which contains 10 per cent. This statistic may be misleading as the City has a far higher number of wards than any other municipality in the Western Cape. The City also has the highest number of least deprived wards (nearly 60%), followed by Drakenstein (10%).[17]

When reviewing deprivation numbers, the number of people experiencing a particular form of deprivation provides a clearer description of the level of deprivation within a certain ward/municipality. This measure of scale is possible for all but one of the domains (Health). A review of the four domain scales (Income, Employment, Education & Living Environment) indicates that all of the 25 most deprived wards for the aforementioned domains are within the City of Cape Town.

Due to the large size and heterogeneous mix of people in wards in the City they are less likely to be ranked among the deprived wards. However, because of their large size they are more likely to contain greater numbers of people experiencing deprivation than smaller wards.

Social Infrastructure

The issue of social infrastructure backlogs is critical in Cape Town with high population density areas such as Mitchell's Plain, Khayelitsha, Gugulethu and Langa severely affected. The City's expanding population creates stress on its social infrastructure and services. In particular, education, healthcare, housing and policing (discussed below) have been impacted. An indication of the current social infrastructure backlogs are as follows[18]:

- Schools - 156
- Healthcare Facilities - 100
- Police Stations - 34
- Housing Backlogs - 265 000

[17] The Western Cape Provincial Index of Multiple Deprivation 2001 report (HSRC).

[18] Western Cape PERO (2006), p235, table 5.

The City accounts for 63 per cent of the Province's learners. However, the current number of schools only accommodates 50 per cent of learners in the City. The City has the highest backlog in the Province with a deficit of 156 schools coupled with a pupil-teacher ratio of 39.[19]

The City needs to alleviate the backlog of healthcare facilities by approximately 100 which is the highest shortfall in the Western Cape and impacts negatively on the quality of healthcare services provided. In addition, the co-existence of high HIV and TB infection rates have placed further strain on the limited resources.

There is a correlation between the shortage of hospitals and the burden of disease on the one hand with workload in the health sector on the other. The City has the highest patient-nurse ratio at 54:1.

The housing backlogs have received considerable media coverage with contentious projects such as the N2 Gateway and Klipfontein Corridor being scrutinised. The backlogs are a national priority, are being addressed and this is reflected in both the current and projected budgets ending 2009/2010.

The issue is two-fold in that while the supply of low cost housing may be increased, the economic capacity of potential first time home-owners is inadequate. This has been addressed in the latest Annual Performance Plan (2007/08) of the Western Cape Department of Local Government and Housing.

Income distribution

Cape Town has unequal distribution of income across racial groups. In 2001, about 13 per cent of households had no income at all and 9 per cent of these households were Africans (see Table 10 below) compared to Whites (1,1%) and Indian/Asian (0,1%). Very few households earned above R300 000 per annum, only 4,3 per cent of the population, of which 3,4 per cent were White. Therefore the remaining population groups constituted less than 1 per cent of individuals earning above R300 000 per annum.

Table 10: City of Cape Town: Distribution of Household income, 2001

Income categories	Black African (%)	Coloured (%)	Indian or Asian (%)	White (%)	Grand Total (%)
None	9.01	2.89	0.09	1.14	13.13
R1-R4800	1.99	0.75	0.01	0.17	2.93
R4801-R9600	4.62	3.17	0.05	0.67	8.51
R9601-R19200	7.45	5.70	0.08	1.08	14.32
R19201-R38400	5.14	8.99	0.18	2.54	16.86
R38401-R76800	2.47	9.50	0.27	4.94	17.18
R76801-R153 600	1.02	6.08	0.31	6.68	14.09
R153601-R307200	0.40	2.23	0.21	5.83	8.68
R307201-R614400	0.12	0.40	0.06	2.40	2.99
R614401-R1228800	0.03	0.09	0.02	0.56	0.70
R1228801-R2457600	0.05	0.09	0.01	0.24	0.39
R2457601 and more	0.02	0.04	0.00	0.18	0.24
Total	**32.32**	**39.93**	**1.29**	**26.45**	**100.00**

Source: DBSA- base data Census 2001

[19] Western Cape PERO (2006), p234, table 4.

Crime

Crime statistics have implications for community safety and social capital in any society. Commercial crimes and general lawlessness often have negative impacts on business confidence. Table 11 below shows the number of reported crimes per 100 000 people (only selected crimes are reported) at police stations in Cape Town. The total number of police stations in Cape Town as at 2003 was 56 and there is an estimated backlog of 34.

Table 11 shows that there has been a decline in reported cases of some violent crimes such as murder, where cases per 100 000 people declined from 79,4 to 59,1 between 2001/2 and 2004/5. Also on the decline are attempted murders and burglary at business premises. The reduction in the number of reported crimes over this period indicates improvements in the fight against crime; however the effect of under-reporting of crime should be taken into account to qualify these improvements.

Table 11: City of Cape Town: Changes in selected crime rates, 2001/02 to 2004/05

Crimes	No of reported crimes per 100 000 people 2001/2	No of reported crimes per 100 000 people 2003/4	No of reported crimes per 100 000 people 2004/5
Murder	79.4	59	59.1
Rape	139.6	117	132.7
Attempted murder	107.5	92	69.6
Assault with intent to inflict grievous bodily harm	617.5	595	580.3
Robbery with aggravating circumstances	383.7	393	406.1
Neglect and ill-treatment of children	12.9	36	31.1
Malicious damage to property	611.9	665	662.6
Burglary at residential premises	1180.2	1082	1016.4
Burglary at business premises	312.7	205	170.0
Illegal possession of firearms and ammunition	61.6	48	60.4
Drug related crime	249.4	310	511.8
Commercial Crime	231.8	203	214.7
Total number of stations	56 (2002/3)		

Source: SAPS (2005) and own calculations.

Drug related crimes increased from 249,8 to 511,8 (per 100 000 people) between 2001/2 and 2004/5, while reported rape cases which rose from 117 in 2003/4 to 132,7 in 2004/5. The data does not give any insight into the extent of child rape and general involvement of the youth in criminal activities. The number of reported cases might be increasing due to improvements in policing.

Health Indicators

The people directly affected by HIV/AIDS are some of the most vulnerable in society and as a result the poverty rate and in the depth of poverty in the City may increase. The number of working-aged adults living with HIV/Aids has implications on productivity in the work environment and ultimately the economic growth of Cape Town.

Table 12 below shows problem areas with high HIV/aids prevalence in Cape Town based on the Ante Natal Clinic (ANC) Survey of 2003-2004. Most affected areas are Gugulethu/ Nyanga and Khayelitsha with prevalence rates of 28 per cent and 27 per cent respectively. Other areas with high prevalence rates are Helderberg (19%), Oostenberg (16%), Cape Town Central (11%) and Greater Athlone (10%).

Table 12: ANC HIV/AIDS Prevalence, 2003-2004

ANC SURVEY HIV PREVALENCE (03-04)	
Blaauwberg	4.4
Cape Town Central	11.6
Greater Athlone	10.1
Heidelberg	19.1
Khayelitsha	27.2
Mitchells Plain	6.3
Gugulethu/Nyanga	28.1
Oostenberg	16.1
South-Peninsula	9.3
Tygerberg Eastern	7.9
Tygerberg Western	8.1

Source: District Health Expenditure Review Cape Town 2005

The number of Aids-infected people also has large implications for health care requirements, e.g. the provision of anti-retroviral treatment. In addition, there will be increased numbers of Aids orphans, which implies increased dependency and health care needs for both children and adults.

Table 13 shows that all areas except the Northern Panorama have first measles immunisation rates that are below the national average of 90. The lowest rates of immunisation are in the Eastern Region (79%) and Khayelitsha (81%).

Infant mortality per 1 000 births is very high in Khayelitsha which has 35 per cent and Klipfontein 29,5 per cent. The rate of children under 5 years who are underweight in Cape Town (2,4) is well below the national target of 7,0, which means that Cape Town is performing well in comparison with the rest of the country.

Cape Town has a very low TB cure rate (71) when compared to the national target of 85. Except for Tygerberg (82) and the Southern region (84), which are closer to the national target, the rest of the regions have lower TB cure rates especially Khayelitsha which has a cure rate of 65.

Table 13: City of Cape Town Health Status indicators: 2003-2004

HEALTH STATUS	IMR per 1000	Proportion Under 1 with 1st measles immunisation	Rate Underweight for Age Under 5	Maternal Mortality Rate	% ANC booking before 20 weeks	% target population screened for cervical cancer	TB Cure Rate - %
Northern Panorama	18	90	4		26	22	67
Central	13	87	3		22	50	76
Southern	20	84	3		54	30	84
Klipfontein	32	80	1		33	36	76
Mitchell's Plain	19	84	2		44	24	74
Tygerberg	17	83	1		49	33	82
Kayelitsha	35	81	2		19	23	65
Eastern	25	79	4		32	36	69
CAPE TOWN	20	83	2.4	53	33	31	71
NATIONAL TARGET		90	7.0				85

Source: District Health Expenditure Review Cape Town 2005

Access to basic services

The City significantly improved the delivery of electricity and refuse removal services in the period 1996-2001 (see table 14 below). The number of households without refuse removal and electricity decreased by 4,7 per cent and 1,6 per cent respectively. However, water supply and sanitation remain challenges to be addressed as the proportion of households without flush toilets increased by 2,1 per cent and households without piped water on site increased by 5,4 per cent during this period.

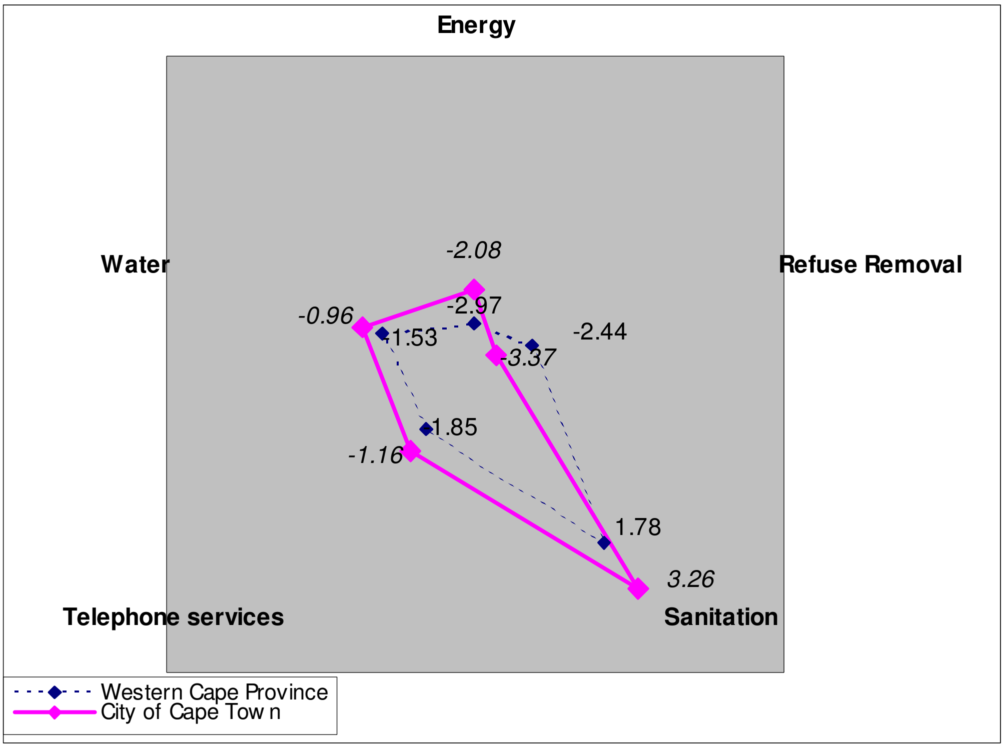
Table 14: City of Cape Town Changes in access to basic services, 1996 and 2001

Cape Town	1996	2001
Refuse Removal		
% of households without weekly refuse removal	10.2%	5.8%
Number of households without weekly refuse removal	65 882	45 031
Water Supply		
% of households without piped water on site	10.2%	15.6%
Number of households without piped water on site	66 133	121 258
Toilet Facilities		
% of households without flush toilet	10.4%	12.5%
Number of households without flush toilet	67 785	96 799
Electricity Supply		
% of households without electricity supply	12.8%	11.2%
Number of households without electricity supply	82 928	87 024

Source: 1996 and 2001 Census, Stats SA

The radar graph below provides insight into the City's efforts to provide basic services to its residents. Since 2001 the issues of housing backlogs, ageing infrastructure and energy shortages have been problematic. Steps have been taken to prepare the City for the additional energy demands resulting from a growing economy. The housing backlogs in particular have received considerable attention at both Provincial and National Government level with both current and future fiscal budgets addressing the shortfall.

Figure 9: Western Cape Province vs City of Cape Town



Source: DBSA, Census 1996 and 2001

Municipal sustainability

Municipality stability and sustainability in respect of political environment, revenue generation capacity, and internal capacity are critical to ensuring robust service delivery at the local level in support of the Province's shared growth and integrated development goals.

Changes in political governance

The table below shows changes in political governance between 2000 and 2006. The comparison is intended to reflect the extent of continuity in the political make-up between the two election periods.

Table 15: Comparison of municipal election results, 2001 and 2006

Cape Town	Municipal Election 2000			Municipal Election 2006		
Party	Total Ward Seats	Ward Seats Won	Percentage won	Total Ward Seats	Ward Seats Won	Percentage won
AFRICAN NATIONAL CONGRESS	100	34	34.00%	105	41	39.05%
DEMOCRATIC ALLIANCE	100	66	66.00%	105	61	58.10%
INDEPENDENT DEMOCRATS	X	X	X	105	3	2.86%

Source: IEC 2001 and 2006

In 2001, the Democratic Alliance (DA) won a comfortable 66 per cent of the total seats contested, with the African National Congress (ANC) accounting for the remaining 34 per cent. The 2006 Municipal election brought added competitiveness with the ANC increasing its share to 39 per cent and the Independent Democrats winning 3 seats.

Staffing

The Ikhwezi team of 9 executive directors was appointed in May 2005 to run the key administrative functions of the City. The City of Cape Town suffered a setback at the beginning of 2006 as a result of the exodus of the Ikhwezi executive directors, leaving a vacuum in the City's key administrative positions.

In addition, the delivery of basic services is compromised by staff shortages in key areas that are earmarked as levers for growth and development (i.e. libraries and engineering services). Electricity infrastructure needs overhaul and more investment is needed in bulk infrastructure is needed to keep pace with the rapid increase in the City's property market.

In the context of the need to accelerate service delivery, internal capacity is a key if the province is to lend a hand to the accelerated and shared growth initiative for South Africa (ASGISA).

Revenue generation & Collection

The revenue generation capacity of the City can be regarded as 'acceptable', based on the financial indicators generated from recent budget assessments. The City's reliance on government grants for its operational activities is below the critical 10 per cent level at 6,8 per cent. The benchmark for Grants and Subsidies is 4 per cent of Total Revenue and the City generates sufficient revenue annually to fund its operating activities without the assistance of the National Government or Province.

Revenue collection in relation to actual and budgeted revenue for the year 04/05 has resulted in a deficit. The deficit is below the critical 10 per cent level rendering it acceptable. Property rates and Electricity revenue streams constitute more than double that of the remaining revenue streams. Key contributors to the overall revenue figure include: Water, Sanitation and Refuse removal.

Table 16: City of Cape Town Revenue Source Analysis, 2005/06 – 2008/09

R'000	Budget 2005/06	Budget 2006/07	Medium-Term estimate 2007/08	2008/09	Growth (%) 05/06-06/07	MTIEF	Tariff increase (%)
Total Transfers	5 600 195	2 537 988	2 427 358	2 428 630	-54.7	-24.3	
Property rates	2 390 000	2 509 117	2 629 555	2 747 885	5.0	4.8	5.0
Electricity		2 762 749	2 895 361	3 025 651			4.9
Water		931 681	976 402	1 020 340			7.0
Sanitation		599 249	628 013	656 274			5.0
Refuse removal		483 537	506 746	529 550			5.0
Other	4 804 137	441 862	463 071	483 909	-90.8	-53.5	
Total	**12 794 332**	**10 266 183**	**10 526 506**	**10 892 239**			

Source: PGWC, local government database

The debtors collection period of 199,1 days for the year 2004/2005 has deteriorated from 179,1 days in the year 2003/2004.[20] The consumer debtors collection period has increased by 20,1 days and lies well outside the benchmark collection period of 42 days. Note 15 to the annual financial statement shows consumer debtors of R3,2 billion which are more than 180 days outstanding, further highlighting the potential cash flows problems that could arise from the revenue shortfalls.

Selected financial ratios

The City's financial indicators are highly interpretive and should not be taken at face value. In general, the key indicators are better than industry norms, with Capital expenditure by the City low given its developmental aims.

Table 17: City of Cape Town financial ratios, 2000-2004

Year	Long Term Debt/Total Income (%)	Consumer Debtors/Total Income (%)	Staff Cost/Total Expenditure (%)
2000	23	0.00	33.19
2001	28	3.30	32.35
2002	23	10.42	36.16
2003	25	9.53	34.81
2004	28	4.83	33.89

Source: INCA 2005.

The long term debt ratio of the City has increased from 23 per cent in 2000 to 28 per cent in 2004. The consumer debt ratio has also increased in this period but it peaked in 2002 at 10,4 per cent up from 0 per cent in 2002. Thereafter a slight decrease to 9,5 per cent in 2003 was followed by a steep dip to 4,8 per cent in 2004. The Staff Cost ratio has remained fairly constant for the period 2000-2004 (hovering around 33%) with the only notable deviation in 2002 where a peak of 36,2 per cent was reached.

[20] City of Cape Town Financial Health and Draft 2006/07 Budget Assesment, p16.

In short, the following financial indicators are deemed to be level/better than industry norms:[21]

- Level of reliance on government grants,
- Personnel Cost to total expenditure,
- Actual expenditure versus budgeted expenditure,
- Interest as a percentage of total assets, and
- Net cash flow operations compared to total debt of municipality.

The following indicators are lower when benchmarked against the industry norm:

- Actual Revenue versus Budgeted Revenue (with respect to Grants and Subsidies),
- Repairs and Maintenance as a percentage of total expenditure,
- Acquisition of property, plant and equipment,
- Debtors collection period, and
- Acid test ratio (marginally below the norm).

Capital expenditure

Slow capital expenditure (estimated to be 63% of budgeted figure) has implications for the City's objective of service delivery to the community. The apparent lack of alignment between the construction boom and provision of the associated bulk infrastructure (water, sewerage and reticulation) is concerning.

The infrastructure shortage has the potential to create strain on the City's already burdened bulk infrastructure. This has resulted in the development of a three-year capital budget with the aim of providing a timeous and well planned implementation of proposed capital projects.

Capital expenditure is also monitored on a monthly basis by the City's Executive Management Team (Ikhwezi) and Mayoral Committee (Mayco).[22] Factors that have contributed to the under-spend include:

- Uncertainty relating to the N2 Gateway Project, which restricted the flow of External Financing Funds (EFF),
- Insufficient project management capacity within the organisation,
- Adhering to EPWP requirements and compliance with Construction Industry Development Board legislation creates massive delays in expenditure,
- Lengthy supply chain management procedures required by legislation (21 day appeal period for consultant appointments), and
- Funding availability for implementation: capital budget is not a true reflection of the funds that are actually available for implementation.

The alignment of the IDP and LED with Budget / Expenditure analysis is difficult to assess. The parameter-based budgeting technique currently employed by the City excludes alignment of capital and operating resources to support priorities. Capital budget trends do not mirror the priorities reflected in the IDP and do not support the increased (some cases decreased) expenditure of various IDP programmes.

[21] Draft submission as a response to Provincial assessment of financial health and draft 2006/07 budget, (2006).
[22] Obtain more info from fiscal policy-Paula Lorio RE: revenue generation performance over the last five years.

Constraints to Growth

Power Shortages:

Cape Town, famous for its gale-force winds, last year (2005) became notorious for power cuts after problems at the nearby Koeberg nuclear power station. Several consecutive months of intermittent power cuts caused a severe impact on the City's economy.

Most of South Africa's electricity comes from coal-fired power stations. Cape Town, far from the country's coalfields and heavily dependent on nuclear power, has been the worst affected as a result of the problems at the Koeberg plant. Rapid economic growth and a surge in household demand have caused a nationwide shortage of electricity.

The City of Cape Town has signed a deal to buy wind-generated electricity, hereby addressing the capacity inefficiencies in the supply of energy to the City. The environmentally friendly electricity will be sold initially at a 50% premium. The project would help Cape Town to reach its target of sourcing 10% of its overall energy requirements from sustainable sources by 2020.

The overall economic performance of the City is of considerable importance to the economic growth prospects of the Western Cape and the national economy. With this in mind, addressing the following potential bottlenecks is of critical importance:

- Spatial planning;
- Ageing bulk infrastructure and slow capital expenditure;
- Traffic Congestion;
- Large gap between the first and second economy;
- Operational efficiency; and
- Weak debtors collection.

Breaking down of racial barriers and the accelerated development of poverty-laden communities can be achieved through effective spatial planning, allowing these previously excluded areas better access to the first economy and its associated benefits.

The ageing bulk infrastructure has the potential to negatively impact the standard of living of inhabitants in new developments and surrounding areas. In addition, slow capital expenditure is inhibiting the replacement of this infrastructure and slowing the delivery of new infrastructure.

Closely linked to the bulk infrastructure is the growing traffic congestion in and around the City with increased economic activity and a wider participation of the City's population rendering current road infrastructure inefficient. This may inhibit both current and future economic activity in the City.

The time delays on major projects and approvals have hindered the development of the City in general. Insufficient project management capacity within the City as well as lengthy supply chain management procedures required by legislation, has contributed to the lack of operational efficiency.

The gap that exists between the first and second economy still contributes to a divided population in terms of skills, economic benefits and development. The majority of the City's labour force is trapped in the second economy, therefore measures to reduce the gap are important to policy-makers. In this regard, labour intensive industries should receive additional support and promotion. Also, the strategic use of SETA's can ensure the transfer of industry specific skills. The piggy-backing of the second economy on the benefits of the first economy is a relatively unexplored area, e.g. explore car washes in parking areas in the CBD.

Weak debtors collection impacts on the City's cash flow and compromises service delivery in the City.

Second Economy dynamics

The second economy is often overlooked in terms of economic development. The second economy is essentially the informal sector, or one can say, the non-mainstream economy. However, the second economy also feeds into the first economy without reaping benefits.

It is estimated that this sector produces about 12% of the economic output and employs 18% of the economically active in the City. The informal sector is therefore an important part of Cape Town's economy. The following initiatives have been put in place to support this sector:

- A citywide informal trade policy, which spells out where trading should and should not take place, the types of trading that can be promoted, suitable operating hours and the obligations and responsibilities of stakeholders.
- Trading areas are continually being demarcated. It is an ongoing project of which two good examples are Parow and Goodwood
- A model has been put in place to look at the management of the markets that have been built in Nyanga, Guguletu, Philippi, Ntlangano, iSithandathu, Hanover Park and Lentegeur.

Policy makers and town planners should seek to make meaningful in-roads into the City's second economy. The aim must be to streamline activities in this sector and bring about acceptance of its contributions to job creation and social well-being. This has been highlighted at various conferences and policy debates across the City.

Conclusion

The City of Cape Town, through its contribution to the economy, has again displayed its importance to the general economic climate in the Western Cape. The City's significant contribution to overall sector activity further underlines the vital role it plays in achieving economic growth targets. Its overall contribution to Western Cape sector economic activity is above 75 per cent.

With a relatively diversified economy, the economic risks are mitigated which allows the economy to grow at a steady rate despite changes in national/global economic conditions and climate. Capital Investment has gradually increased for the period 2001-2005 which should provide the much needed stimulus to attract external investment as well as address the infrastructure shortages given the booming population and brimming economic activity.

The demographic situation of the City is less optimistic. In the period 1995–2004, year-on-year average growth of unemployment and informal sector employment was 57 per cent and 68 per cent respectively.

Given the growth in labour force over the same period and the lack of growth in labour intensive industries, government intervention is required in targeting and nurturing these areas with clearly defined outcomes.

While the City is characterised by an impressive growth trend, this growth is not shared as there is evidence of multi-faceted deprivation in many of the City's wards, especially the highly dense areas of Khayelitsha and Mitchell's Plain

Lastly, the role of local authorities is important in addressing the overall developmental challenges that face the City. The huge sum of unspent budgeted expenditure on, amongst others, basic services, needs to be addressed. This shortcoming may have social consequences for the poorest segment of the City's population.

Efficient expenditure on identified capital projects (N2 gateway, Klipfontein corridor), which will aid the developmental objectives of the City, need to be given priority so that potential 'bottlenecks' can avoided.