1. PURPOSE OF REPORT

The purpose of the report is to provide the reader with a broad understanding of the context of the Point Precinct within the city of Durban, and its urban renewal initiatives, specifically the need for a Small Craft Harbour as part of the redevelopment of the Durban Point.

2. HISTORICAL BACKGROUND OF THE POINT

The attached regional map (Map 1) shows the regional location of the Port of Durban and (Map 2) shows the local context of the Point in relation to the Port and the Ethekwini Municipality. The strategic location of the Point in relation to both Durban Harbour, as well as the eastern coastline should be noted.

2.1 Pre 1990: The Beginnings of the Point

The Point represents an important genesis in the development of the City and Port of Durban. The Point represented the arrival gateway for many early travellers by providing together with the Bluff a safe refuge off the ocean. The Point became the first greeting of many “discoveries” and indeed a place for early colonialists, who in time would bring indentured labour from India arriving also at the Point.
Entry into the Bay was continually under threat from accretion of the sandbar. This hampered the growth of the Port and City. Various schemes were devised to overcome this, including the failed attempt at creating a new harbour on the northern side of the Point through the establishment of a breakwater, only partially completed by Captain Vetch. It is rumoured that this failed effort had lead to the bankruptcy of the city. Ultimately the sandbar was removed and dredging of the entrance channel ensured continued access. This resulted in an increase in trade. The first railroad within Durban emanated from the Point, the beginning of a bustling harbour took place as more trade occurred, and the voyagers of many a keen sailor ended there, at that time, a cosmopolitan place and epicentre of Durban.

As the need for more berthing space emerged, the Port entered a phase of expansion with new berths being developed south of the Port, in the area of Maydon Wharf. Sadly, this started what had eventually become the steady decline of the Point as trade, and the consequent harbour activity moved away from the Point. Throughout the seventies and eighties, urban blight had set in as most of the Port related activities relocated from the Point. The Point went on to become synonymous with the many social ills of that time.

Nevertheless, its strategic location, colourful history, social significance and economic potential led to a series of attempts at urban renewal and the establishment of a Waterfront at the Point. Sadly, none of these initiatives materialised at any great scale. The need for the return of the Point to Durban, and its people, remained however firmly on the developmental agenda for Durban for years to come.

2.2 1990 – 1999: Hope for the Point

With the release of Nelson Mandela and the unbanning of the ANC in 1990, a new era emerged within the country, and in the global perception of the country. A feeling of promise, hope and confidence soon overshadowed that of uncertainty and fear. During this period the Malaysian owned company, Renong Berhard, emerged on the scene with a proposal to purchase all the pockets of land in and around the Point precinct and invest in the urban regeneration of the Point. The first phase of land acquisition took place and the second phase, to complete the consolidation, was abandoned when the “Malaysian Flu” hit the world economy in the late 1990’s. During the latter half of this period, the
land was effectively sterilised with Renong, Durban Municipality and the National Government still owning parts of the precinct, and little or no development capital being invested in the area.

With other waterfront development in the rest of South Africa (even in Bloemfontein) the “Durban Waterfront” was a complete misnomer.

2.3 2000 Onwards: Realising the Potential

In the late nineties, the then Economic Development Department of the Ethekwini Municipality commenced with a series of interventions to turn around the economy of Durban and the rejuvenation of the beachfront, including the Point area, was one such initiative.

The strategy was to create two “bookends” that anchored the Golden Mile, where in the north and south, Suncoast Casino and the Point would serve as these “bookends” respectively. The relocation of the outdated Durban Aquarium would form the catalyst for the Point Development and Moreland Developments, a private sector developer, was appointed to prepare a business plan for the project. A copy of the plan is attached as (Annexure 1) to this report.

In summary, the report proposed that:

- The uShaka Marine Park be developed at an estimated cost of R700million;

- The project should NOT proceed in isolation and the rest of the Point precinct should be “packaged” and developed in parallel;

- Due to the run down state of the area, institutional funding would be required for the uShaka project as private sector viewed the project as “too risky” but it was anticipated that private sector would follow and thereafter invest some R4billion in the resultant development activities.

**
• A revised Framework Plan and feasibility was drawn up on the basis of which the Durban Point Development Company (DPDC) was formed as a partnership between the major land owner and the Ethekwini municipality. The political commitment coupled with real and tangible investment sowed the seeds to the rejuvenation of the Point. The plan was publicly launched as part of the Cities’ Economic Growth Initiative early in 2001.

• The attached (Map 3) indicates the intentions at the time. Broadly the Urban Design Strategy of the Framework was:

  o To position uShaka as a catalyst for development,

  o To establish a system of canals as a means to inject development impetus within the central portions of the precinct,

  o To create a Small Craft Harbour which provided a real waterfront experience for the precinct and city and which allowed for the connection of the canal system to the Indian Ocean.

Subsequently the uShaka project was completed and the first phase of real estate was sold to the market with some R1 billion currently (Feb 2006) under construction in the precinct and finally the dream of the waterfront at the Point was starting to materialise. The development of the first phase of canals was completed which brought a new and exciting future to the once derelict central portion of the Point. This investment in creating “water frontage” that added value proved to be highly successful where development over and above the investment in uShaka, has seen private sector invest in the order of R1.0 billion within a period of two years. To date the strategic intent of rejuvenating a run down area has proven to be very successful from an overall city perspective and property values in the area has increased to some of the highest values in Durban. Increases in real value in the areas immediately adjoining the precinct was also evidenced. A key component in completing the vision and extending the “water frontage” to continue the renewal efforts is the development of the planned Small Craft Harbour. The market and investors are eager to invest in the final stage of the project i.e. the link to the Indian Ocean and the related Small Craft Harbour.
3. PROSPECTS FOR A SMALL CRAFT HARBOUR ALONG THE EAST COAST OF SOUTH AFRICA

The East Coast of Southern Africa is characterised by two issues that make the construction of any harbour very costly to build and also to maintain due to the ocean currents and the transportation of sand (littoral sand drift). This causes sedimentation at harbour and/or river mouths, which can only be kept navigable by costly dredging or through sand bypass systems. The difficulty is also exacerbated by the fierce weather patterns and wave activity, and the total lack of any natural refuge created by nature, due to the relatively unprotected nature of the coastline.

The difficulty facing the maritime industry, and specifically the leisure sailing industry, is the lack of safe refuge (harbour) in case of bad weather, within an easy sailing distance. From Durban northwards it is only Richards Bay (some 8 – 10 hours sailing) and southwards Port Edward (also 8 – 10 hours sailing.)

3.1 Littoral Sand Drift

Due to the ocean currents and the sandy nature of the seabed, some 500 000m$^3$ of sand is transported along the seabed, and any obstruction such as a groin or harbour wall, causes the sand to stabilise and the resultant sedimentation blocks any harbour or river mouth. Any structure thus built will have a serious impact and lead to changes in the seabed that cognisance have to be taken of. The mouths of any harbour needs constant dredging or, as a recent innovation, jet bypass systems. Both options are costly to operate and also construct (bypass system)

3.2 Fierce Weather Patterns

The eastern seaboard, similar to the “Cape of Storms” is well known and respected for the fierce weather patterns and all sailors are well aware of this fact. This factor, linked to the unprotected shoreline, makes the construction of a SCH very difficult and, in most cases, impossible. The possibility of a SCH, with a direct link to and from the Indian Ocean, fully funded by private sector, and linked to a tourism destination and waterfront, is an imperative to do, if at all possible.
4. REGIONAL RATIONALE

4.1 Maritime Leisure Industry

The yachting/sailing/boating leisure industry was a strong job generator in Durban for many years, but has been in the decline for some years. Some industry players ascribe this to the lack of upmarket mooring facilities and direct linkages with the typical water’s edge activities that prevail in all active waterfront developments around the world. Additionally the lack of safe harbours within short sailing distances along the eastern seaboard has made this situation worse.

The existing mooring facilities at Durban are all located inside the main harbour entrance and due to the increased commercial activities inside the harbour leads to frustrations for small sailors as necessary priority is given to the freight ships in regulating the traffic in and out of the harbour entrance. Given the current expansion of the Port and a heightened security concern internationally within ports, the relationship between leisure and small craft with commercial shipping within the port will continue to be strained. Although the Durban Harbour is large, the small boating traffic is a concern for the Port authorities and one of the reasons why the proposed Small Craft Harbour at the Point, with direct access to the Ocean, is supported in principle by the authority. It has been stated that it could take up to 2 hours to reach the open ocean from some of the existing moorings inside the harbour, negating the potential for short afternoon leisure sailing and boating and in promoting Durban’s coastal advantages for related tourism.

4.2 Need for a Regional Tourism Waterfront Destination

The lack of a waterfront destination for Durban has been the subject of many discussions, and the possibility of the water canal, with no direct linkage to the Ocean, will certainly add to the misnomer of the “Point Waterfront”.

The number of visitors the Cape Town Waterfront attracts to the area is well recorded and has exceeded the 22 million p.a. mark some years ago. The embryonic Point requires all the normal waterfront activities to become a true waterfront destination and reach critical mass, and the SCH will finalise the basic infrastructure required to do so.
Additionally, several sailing institutions, such as Sunsail South Africa, have expressed the desire to be part of the modern SCH facility where the training needs of would-be sailors can be catered for, and the international yachtsman can have an exiting holiday as well as a sailing experience.

The strategic intent behind the regeneration of the Point was in fact to create a waterfront tourist destination within Durban and KZN, with the catalyst being uShaka.

5. LOCAL CITY WIDE RATIONALE:

5.1 Durban: Redevelopment of the Inner City and CBD

The urban decay, commencing during the early eighties, continued until the City, under the new democratic order and through the restructuring of local government, initiated a comprehensive economic development strategy in the late nineties, with the continued roll-out since then. The Point redevelopment, and the importance of the Port of Durban in the total economic strategy, was recognised as key in turning the economic fortunes of the city.

Of importance to this report, is to recognise that the “Point Initiative” was not an isolated project, but part of the broader strategy of the City to turn the economy around with on the one hand, regenerating an area of the CBD that had severely deteriorated and was fast becoming a slum zone, whilst on the other hand, establishing a new asset as part of the region’s tourism product

5.2 Point Precinct Strategic Plan and City Benefits

The strategy had a 3 fold phasing, as discussed briefly above:

- uShaka Marine World to demonstrate investor confidence and lead the way for private sector to follow;

- A first phase canal system to add value to the “back of beach” area and entice private sector to participate; and
The final Small Craft Harbour (SCH) phase in completing the establishment of a true waterfront.

Phases one and two have been successfully completed and the SCH phase is anxiously awaited by private sector investors, and will complete the “waterfront” linkage with the Indian Ocean and in establishing a real waterfront edge that can receive craft of various sizes.

In order to consolidate the land a Public Private Partnership (PPP) was formed between the Malaysian controlled company, RocPoint (Pty) Ltd, (which had formed a partnership with a local based empowerment company called Vulindlela), and the Municipality controlled Durban Infrastructural Development Company (DIDT), to form a 50/50 company called the Durban Point Development Company (DPDC).

The company was launched in 2001 and all the land in the Point precinct was transferred to DPDC.

Benefits directly attributable to the Point thus far include:

- DPDC has invested some R120million in the upgrading of the infrastructure,
- some R190 million of development land has been sold private sector investors,
- the private sector has further invested some R1billion in construction costs alone.
- Importantly, within the current context of a need to create jobs, the above investments have translated into some 5 380 construction jobs and will lead to 27 000 sustainable jobs.

Property values in the adjacent area of the city has more than doubled and investor confidence has returned to the area with apartments sold to not only local investors, but also Gauteng based investors, that seek the lifestyle that the Point development will offer, i.e. a waterfront lifestyle with a mixed use environment.
Some 200 000m$^2$ of development bulk has been sold and it is intended that the further phases will release some 350 000m$^2$ additional bulk to the market during the next 5 -7 years. At the end of the project, it is anticipated that some R4 billion in construction costs alone, would have been invested by private sector in the project after the initial catalyst of some R700 million in uShaka Marine World.

The Macro-Economic Impact Assessment study carried out for the Ethekwini Municipality found that the combined Point/uShaka development will:

⇒ The positive impact on GDP will be R3,4 billion on an annual basis which will raise the GDP of Ethekwini by nearly 4%.

⇒ The positive impact on capital formation will be R5,9 billion per annum.

⇒ Contribute R881 million to the national and provincial fiscus

⇒ Contribute R1,1 million to household incomes annually of which 23,7% will go to low income earners.

⇒ Contribute R2,4 billion to the balance of payments annually.

6. THE SMALL CRAFT HARBOUR:

6.1 Brief Description of Small Craft Harbour (SCH)

The main aim and function of the proposed small craft harbour and an adjacent beach will be:

• To create an urban waterfront, a small craft launching facility, a mooring facility; and
• To accommodate the existing recreational activities found within the area.
The plan proposes the development of a new breakwater south of the existing Vetches Pier serving as the northern arm of the SCH. The southern arm of the SCH would be the new north groyne developed by NPA as part of the harbour widening. An extension off the proposed north groyne will provide for all weather access to the SCH. In terms of establishing a meaningful development package to facilitate the SCH, reclamation of land within the ocean is proposed on the inside of the new north groyne, and just south of the proposed breakwater at the base of Vetches Pier. Within the SCH, being framed then by these north and south arms, a range of related boating activity is proposed. This includes:

- A lock which provides linkage to the landside canal system
- Mooring space for a range of craft enhancing the waterfront setting
- An exhibition and berthing space for large craft and possibly visiting craft as a new place where the public can experience the culture of boating
- Promenades and walkways ensuring pedestrian access within a well defined and safe system, and
- Hard launch facilities and a boat club position retaining the special features and activities of the site to be located just south of the new north pier.
- Between the uShaka intake pier and the new northern groyne, the creation of a beach zone for soft launching of craft and swimming with very limited wave action.

A broad spectrum of small craft types and sizes will be accommodated in the SCH. The three main categories of craft that will determine the upper limit design criteria of the SCH will include racing yachts, catamarans and large leisure craft (power and sail). All craft using the SCH will be expected to have a form of motor power.
The recreational activities include protected swimming, snorkelling, windsurfing, elementary wave surfing, paddle skiing and the launching of ski and light sail boats. These facilities will be designed to integrate with the existing and proposed developments in the area. Both the beach and the SCH will be designed in order to achieve “Blue Flag” status.

For safety reasons no water contact sports will be allowed in the SCH marina basin however to enhance the recreational potential of the area the plan accommodates the following:

- A snorkelling lagoon within the area defined by Vetches Pier and the proposed northern arm of the SCH, and

- The creation of a new safe bathing beach just north of Vetches between uShaka Pier and Vetches providing for a range of soft launch and bathing opportunities.

6.2 Why A Small Craft Harbour Within The Context Of The Point

From the earliest regeneration of old neglected docklands in the 1960's in San Francisco, Seattle, London and Sydney, the waterfront phenomenon has exploded worldwide into one of the great success stories of this century. In some cases, such as in Baltimore, USA, the "Inner Harbour" waterfront literally saved a derelict, decaying downtown by turning it into a stunning attraction, drawing millions of visitors to the city. Cape Town's Victoria and Alfred Waterfront has transformed a degraded and neglected harbour area into the largest tourist attraction in South Africa.

What are the essential elements of a successful waterfront? The most basic requirement is contact with water, in as many ways as possible. Although the port city of Durban totally encompasses the magnificent bay, which led to its original establishment – contact with water, in as many ways as possible, is very limited and constrained by the essential activities of the commercial port. Durban has therefore developed with a focus on beaches as the main tourist contact with water.
A fundamental opportunity that well developed and planned waterfront projects offer is the reconciliation and proper definition of the Port / City interface. Understanding the importance of a functional port (the genesis of city and economic development), and the importance of access to water, which is critical given our history of restricted access and separation, clearly defined waterfront development offers a significant opportunity to reconcile these often competing roles and needs. The Small Craft Harbour provides prime waterfront frontage without impeding on port activity and commercial expansion needs.

With the opening up of the world economy, the promotion of a range of destinations globally and ready access to online information to would be visitors, requires that South Africa is not reliant only on its established product in the context of a more globally aware traveller, international competitiveness and an increasingly demand for a range of holiday experiences. That being, in the case of Durban, going beyond merely access to beach holiday experiences. As an example, during the original feasibility study for hotel development in the Victoria and Alfred Waterfront, the fear was expressed that tourists expect ready access to beaches and that although the proposed V&A Hotel presented all the opportunities of access to moored craft, ferries, charters and waterfront living, the lack of beaches would produce a lower occupancy rate. Financial feasibility was therefore based on 60% occupancy, when in fact occupancy in the upper 90's has been achieved since opening.

The small craft harbour element of a waterfront thus contributes much more than just a place for boats to moor. It is in fact the heart of the waterfront. It provides the interface between visiting sail boats, super yachts, round the world racers and ordinary boaters with the restaurants, shops, hotels and entertainment facilities that also constitute a waterfront. Without the small craft harbour there is no waterfront. However with the additional elements in Durban of access to adjacent beaches and snorkelling, the extension of waterfront activities through the lock to the urban/residential canal system and the close proximity to the port entrance, the potential exists to develop one of the most exciting and comprehensive waterfronts in the world.
Without the small craft harbour, Durban's access to a "waterfront" will remain restricted to a few scattered restaurants within the Bay with access severely limited by rail and port activities. The proposed small craft harbour on the other hand will provide safe deepwater access to all visiting pleasure craft backed up by the most modern boat service facilities and an exciting waterfront environment for the visitor and offering local residents, all of Durban's residents, a unique experience which would otherwise remain a short, two dimensional, stop over in some magazine.

Of all the thousands of waterfront developments throughout the world the proposed Point Development, in association with the small craft harbour, will be totally unique because of the adjacent swimming facilities. No other waterfront brings together the following key attractions:

- One of the worlds largest aquariums and marine parks,
- A canal based water experience with café edges,
- A unique and safe bathing experience including snorkelling in a rich marine environment,
- A distinct small craft harbour with a range of berthing opportunities for local and international craft, and
- Proximity to a working Harbour with its unique entrance channel framed by the Bluff dune backdrop.

A fundamental ingredient in the above is the small craft harbour, as the nucleus that links all of the above attractions and brings these together into a unique coastal cocktail that positions Durban, the country, and Africa as a place of international repute in terms of waterfronts.
Without the small craft harbour, access to boats will be denied for the Point development, the canal system will become land locked and the potential for this unique opportunity will disappear and become merely an extension of the beach front hotel development of the Golden Mile.

6.3 Regional Need and the Siting of a Small Craft Harbour at the Point

The Point site is unique along the Natal coast. It is protected from severe southerly swells by the adjacent port breakwaters, and free of any sedimentation or long term dredging requirements, because of the sand bypass facilities provided by NPA for the port entrance. It is therefore considered to be the only viable small craft harbour site along the entire Natal coast, outside of the ports of Richards Bay and Durban. The regional need, in addition to the elements raised above, include:

- Providing direct access to the Indian Ocean without impeding on working Harbour activity.

- Safe refuge in adverse weather conditions;

- Time delays in competing with commercial traffic in the Port of Durban and access to the Ocean via the harbour mouth;

- Leisure sailing/boating and tourism is linked and no facilities exist within Durban targeting this sector of the market;

- A SCH is a necessary and vital link to a waterfront development;

- Without a SCH the existing canal systems cannot link directly to the Indian Ocean and would essentially be a landlocked water system;

- Access to larger visiting craft cannot be accommodated within the canal system,
• A unique set of circumstances make the construction of a SCH technically viable and economically sustainable, and cannot be replicated anywhere along the East Coast (see paragraph 6.5 below for detail)

• Linked to the total waterfront development, the SCH is self funded with no institutional funding and/or support required making this a unique point in history, any consideration of future establishment would be exorbitant and unattainable.

• The overall framework aims at developing some 2000 new residential units in the Point which even at a conservative estimate of 10% need for moorings, suggests a requirement for a SCH with some 200 moorings.

Some of the abovementioned aspects are further discussed below.

6.4 Redevelopment Strategy

The redevelopment of the Point, sparked through the initial public investment in the form of uShaka Marine World, is fundamentally tied to the principle that such subsidy gears maximum private investment. Compounded growth would mean significant public gains without further public subsidy given that the SCH is self funded. (See section 7 below.)

The strategy for the redevelopment of the area is intrinsically linked to the private sector leveraging the initial institutional funding in uShaka. The principle of an institution (Ethekwini) leading the investment cycle and private sector following, is international best practice and many waterfronts over the world have seen a similar tendency leading to a successful rejuvenation of an urban area.

The continued differentiation that the SCH would add to the area would ensure the continued investment from private sector, in fact, the scale of the development is at this stage insufficient to be sustainable. The catalytic opportunity that the SCH offers, and the direct linkage with the Indian Ocean, firmly places the possibility of urban renewal at the Point finally within reach. Until such critical mass has been achieved, the potential threat of a stalled redevelopment and underachievement will always be imminent.
6.5 Technical Synergies with NPA/Harbour Widening

The current initiatives from National Government and specifically the major upgrading of infrastructure, also includes the South African Ports. Except for the upgrading intended internal to Durban Port, the widening and deepening of the harbour mouth, to cater for the new generation of freight shipping, creates further opportunity for synergies and the leveraging of private sector investment in achieving national growth rate targets of 6% growth p.a.

The new northern pier, located some 100 meters north of the existing pier, will form the southern pier of the proposed SCH and the proposed sand bypass scheme of the NPA, will allow the SCH to function without having to install its own (and costly) bypass system, at no additional cost to the National Ports Authority. (NPA)

Additionally, the SCH intends to reclaim land inside the protection of the SCH and this also creates an opportunity for the NPA to spoil in an area at no costs to themselves. This could in fact lead to some cost savings for the NPA and, depending on the quality of the soil, a net environmental gain.

The gearing across different levels and spheres of government bodes well with the principle of “Intergovernmental Cooperation” in achieving this regions’ developmental and growth agenda.

From a functional point of view, the encouragement of small craft to utilise the new proposed SCH, would also lessen the pressure on traffic inside the harbour mouth, wanting to get access to the open ocean. Greater operational efficiencies will therefore also be achieved.

The unique opportunity that these synergies provide, cannot be replicated anywhere in similar circumstances, and the simultaneous investment will assist the intention of the National Government to achieve the target of 6% growth p.a. within the next few years.

The attached (Map 4) gives an indication of the linkages, relationship and location of the harbour widening, the SCH and the areas intended for reclamation inside the SCH.

**
7. **FINANCIAL VIABILITY**

7.1 **Return on Investment**

As discussed previously, the entire project is self funded with financing being provided by DPDC. No institutional funding is required or needed to achieve this catalytic project. It has been argued in this report that the level of success of the Point is fundamentally tied to the attainment of the SCH and is directly linked to the levels of return on the initial public investment made in the form of uShaka Marine World. The SCH is therefore essential in the overall redevelopment strategy and is linked to the longer term return on investment to the city.

7.2 **Funding the SCH**

The entire Point project is self-funding via the sale of developable land to investors/developers, with DPDC providing the basic infrastructure for the land (roads, sewers, water, etc.) The SCH would be funded on a similar basis. Early indications suggest that to date by far the largest infrastructure cost for any phase of development within the Point will be that of the SCH. Ensuring the financial feasibility of such vision requires that maximum land development opportunities be created to offset the required infrastructure costs. Therefore, to meet this level of funding there is a need for reclamation of selected areas inside the SCH.

7.3 **Unique Set of Conditions**

The potential timing of infrastructure investments within the Point and Port provides a unique set of conditions for financial prudence at this point in history with the coupling of Port inspired initiatives and the development of the SCH. This renders this opportunity “a once in a life time” window for rational and cooperative financial investment. An evaluation of development options for the SCH including the fatal No-go option has proven time and again that the most sustainable and generative option is that of the full development of the SCH.
In fact, the market response to a “no SCH option” has been decidedly negative, has reduced investor confidence and renders further development at the Point questionable if the redevelopment initiative will achieve critical mass for sustainability without the SCH.

8. **LEGAL ASPECTS**

Research done by DPDC legal teams, have concluded that in terms of the Seashore Act, Act 21 of 1935, the owner of the Durban Port would be legally competent to alienate sections of the seabed, for such developments as a SCH and reclamation of land, provided it is suitably motivated.

The opinion from the Norman Brauteseth & Associates is attached as *(Annexure 2)* to the report for reference purposes.

9. **MAINTENANCE AND MANAGEMENT ASPECTS**

The Point already has a Management Association in place in the form of a Section 21 Company that, in a contractual relationship with the municipality, manages the public infrastructure according to Service Level Agreements that set the maintenance standards. It is the intention that the on-going management and maintenance of the SCH, as with the other public infrastructure, including the canals and waterways, will also be management by the Association. It should be noted that Blue Flag status is targeted for the SCH and infrastructure design and management arrangements are geared toward achieving such status. The legal and budgetary framework and plans have already been reviewed and, in relation to the SCH, forms part of the current EIA process.

10. **SUMMARY AND CONCLUSIONS:**

The Small Craft Harbour represents an important link in the chain of redevelopment possibilities for the Point and in turn the central and southern portions of the CBD. The establishment of the SCH forms a necessary phase of development to continue and
sustain the redevelopment of the Point Precinct. Establishing the SCH requires adequate land development area to offset the substantial capital costs required to achieve the vision of a SCH. This requires the reclamation of portions of land within the SCH for development purposes.

The establishment of the SCH also has the added benefit of rationalising the Port City interface in a productive and efficient manner in terms of city building and Port operations. The timing of infrastructure investments in the environs of the Port and Point, coupled with current natural advantages in terms of sedimentation and refuge from the sea, and a political context of facilitatory government at different levels, means that any loss of opportunity in establishing the SCH now, may in fact be, a loss of opportunity in perpetuity. In other words, if the current leadership cannot facilitate this with such favourable preconditions, then it is very unlikely that the SCH will ever materialise and as a consequence, the redevelopment prospects for the Point would be rendered questionable.

In addition to this pragmatic line of argument, i.e. of redevelopment need, the timing of investment, and the will to facilitate development, the SCH represents the one opportunity to establish a true waterfront setting in Durban. This setting completes the vision for the Point, repositions the city of Durban, and provides a place for all of Durban’s residents, including those of today and those yet to come.

In summary, the motivation to support the completion of the Point rests in the following important points:

- The Point redevelopment is not an isolated development but is part of a City-wide initiative and has already demonstrated extremely positive results not just within the precinct, but also in neighbouring precincts.

- The proposed SCH is the final phase of a multi billion rand programme that is City led, from an investment perspective, and which has the potential of leveraging some R4 billion of private sector investment, particularly relevant in terms of the 6% growth target.
• The SCH requires little or no public sector funding provided land ownership can be obtained of the SCH zone and the reclaimed land within this zone. This also includes the on-going maintenance of the SCH.

• The need for such a development is partly motivated by the background of the area and its maritime history. The maritime industry in turn welcomes this initiative, and the creation of a waterfront development that incorporates the boating and leisure fraternity.

• No legal impediment exists that prohibits the alienation of sections of the seabed, and as no public sector funding is required for this initiative, can be viewed as a form of a Public Private Partnership and best practice in intergovernmental relations in enabling Government to facilitate development and gear private sector funding.

Finally and most importantly, the ability to bring effect to the development of the SCH and the redevelopment vision for Durban does not:

• require major capital investment on the part of Government,
• nor is it at the sacrifice of any ecological asset, or
• reliant on an untested and illusive market.

The SCH at the Point requires political will, commitment, policy and decision making support. This should not represent a tall order within the context of development need, economic growth targets and facilitatory government.

In conclusion it is anticipated that the proposals will be supported as there are no obvious obstacles to impede the continuation and finalisation of what has been a success story thus far in demonstrating redevelopment potential and the ability of partnerships between different levels of government, the public and private sectors.

C.P.BRINK
Project Director
**Additional Notes:**

1. Any increase to building envelopes height would be subject to the provisions of the Precinct Plan and Special Consent Application through the Ethekwini Municipality.

2. Any increase to maximum FAR/PAR would be subject to the provisions of the Precinct Plan and Special Consent Application through the Ethekwini Municipality.

**PLAN B: MAXIMUM DEVELOPMENT CONTROLS**

- **Maximum Height Envelopes (in metres):**
  - 10 Storey: 40.2
  - 8 Storey: 33.2
  - 6 Storey: 26.2
  - 4 Storey: 19.2
  - 2 Storey: 12.2

- **Land Use Categories:**
  - **Future Parking/Parkade for Marine Park:**
    - Canal, Open Space, Entertainment, Recreation, Limited Retail
  - **Open Space/Recreation:**
    - Open Space, Entertainment, Recreation, Limited Retail, Basement Parking, Temporary Surface Parking
  - **Parking Area/Parkade/Open Space:**
  - **Residential:**
    - Retail, Commercial, Office, Residential, Hotel, Entertainment, Service Industrial/Light Industrial
  - **Mixed Use 2:**
    - Retail, Commercial, Office, Residential, Hotel, Entertainment
  - **Mixed Use 1:**
    - Retail, Commercial, Office, Residential, Hotel, Entertainment, Service Industrial/Light Industrial

- **Subject to Harbour Widening:** (Subject to separate E.I.A approval and Portnet agreement)

- **Subject to separate E.I.A approval and Portnet agreement:**

- **Future Marina:**
  - (Subject to separate E.I.A approval and Portnet agreement)

- **InDETERMINANT ZONE:**
  - Future Harbour Widening
  - (Subject to Harbour widening, E.I.A and Portnet agreement)

- **Notes:**
  1. This framework plan provides overall intention, which is subject to final board on details, design, and may incorporate changes such as consolidation and subdivision of particular blocks. Introduction or exclusion of local access restrictions, and may incorporate changes such as consolidation and subdivision of particular blocks.
  2. All blocks marked "A" denote future development subject to final investor's decisions requiring potential Harbour widening, land use and land protection systems, with areas to be determined by consent council departments.
  3. Indeterminate harbour zone is to be held as development subject to E.F.A and Portnet agreement.
  4. Areas designated in red to be held for future decision and E.I.A agreement.
  5. Areas designated yellow in red for future decision and E.I.A agreement.
  6. Areas designated in blue for future decision and E.I.A agreement.

- **Map Scale:** 1:5000
- **Date:** 17 AUGUST 2004
- **Plan Number:** B02020501
- **Plan Number:** B02020501
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The vision for the Point Marine Theme Park project is the successful conceptualisation, planning, development and operation of a financially viable and world-class marine-based theme park that attains national and international ‘must see’ status as a leisure, tourism and marine conservation attraction, and which contributes positively to the social and economic advancement of the Durban region and its peoples.
The Mission of the Point Marine Theme Park project executive team has been to thoroughly research, creatively conceptualise and comprehensively plan for the future development of a financially viable, world-class marine-based theme park, and to present this plan to the Durban Unicity Council for approval to proceed with the development.

Inherent in this mission statement is the understanding that the business plan will be appropriately robust to enable Council to make its decisions with complete confidence in terms of the future viability and sustainability of the project.
1. INTRODUCTION

1.1 The need for a Marine Theme Park in Durban

Over the past two decades Durban’s market share in terms of national tourism arrivals has declined from more than 34% to below 26% at present. In addition, the metropolitan region’s market share of new investment into tourism infrastructure and other economic activities has also declined.

Research undertaken by the Best Practice City Commission reveals a number of reasons for this decline in Durban’s tourism appeal and in investor confidence in the city. In terms of tourism, factors such as the downgrading of beachfront hotels in the 1980s, changes in the socio-economic profile of the local tourist market and – very importantly – the opening up to South Africans of more competitively priced international travel since 1994 have resulted in a real decline in tourist arrivals, average duration of stay and value of spend for Durban.

This decline in the economic value of tourism resulted in a downward spiral wherein tourism operators chose to either downgrade or neglect the quality of their operations, and external investors chose to seek alternative destinations (mainly Cape Town). The inability of the city to bring to realisation key infrastructure projects such as the Point Waterfront and the international airport at La Mercy, and the prolonged delays in the issuing of casino-resort licences, also contributed to a substantial decline in investor confidence in the region.

Between the beginning of 1990 and the end of 2000 there was a limited total value of new investment into hotel accommodation and other tourism product in Durban. Highlights during this period were the ICC Durban (opened 1997) and the Hilton Hotel (1997), which created some critical mass within the northern end of the CBD, resulting in the upgrading of adjacent buildings (NBS, Kingsmead Office Park are examples). In the northern precinct, some R1bn was invested into a new commercial, retail and residential node at Umhlanga Rocks and Mount Edgecombe. The development of the R100m Zimbali Lodge and Country Club north of Durban, and the exclusive Zimbali Coastal Estate were indicative of the relocation of investment to the north of the city.

What became clear from these examples of investment during the previous decade was that the introduction of new public sector investment (e.g. ICC Durban) and private sector investment (e.g. Umhlanga Ridge) into isolated development nodes had ripple effects on adjacent properties, thereby leveraging the overall end value to the city of the original investment. The principle evident in these precedents underpins the strategic thinking behind the proposals for a marine theme park in the Point: create a significant intervention and the entire area will reap benefits.

In terms of entertainment and cultural attractions, no new investment of any value entered the city during this decade. Properties in the Durban CBD experienced a continual decline in value, in some cases to levels as low as 40% of their values at the start of the decade. Vacancies escalated as employers and the retail and service sectors relocated out of the central business district to malls and office parks.
Also during this period the province was the focus of on-going internecine violence, escalating crime and deteriorating infrastructure, all of which exacerbated the declining attraction that Durban has for many years held for the domestic tourist markets. As a result, Durban in 2001 is no longer the destination it was for tourists in the 1970s and 1980s. More importantly, domestic tourism trends – the regular measurement of how South Africans prefer to spend their vacations and disposable income – suggest that this decline in visitor confidence is continuing at pace.

There exists a real fear that despite the best efforts of Council and the private sector to put in place Public-Private Partnerships aimed at better planning for tourism marketing and development, and despite the establishment of Durban Africa, the Events Corp, the Safer City Project and the soon-to-be launched Investment Promotion Agency, Durban’s tourism industry seems set to face on-going challenges and further losses in market share in the coming decade.

Respected property industry researchers and economists paint a pessimistic portrait of the city and unless one or more key strategic interventions are initiated these predictions of a ‘low-road scenario’ appear certain to unfold. Durban simply has to break out of this spiral of despair and the Point Marine Theme Park project described in this report is seen as a crucial step forward in this regard.

During much the same time that the Durban Council was calling on Rocpoint to proceed with its undertakings and commitments in respect of the development of the Point, a parallel process was taking place that would eventually catalyse council into taking a decision to become directly involved in developing this precinct. This parallel process pertains to the pressure that was brought to bear on council to secure the future of organised marine conservation in Durban and KwaZulu-Natal.

A study of the coastal economy of South Africa shows that marine-based assets such as ports, beaches, estuaries, recreational and commercial fishing, diving, yachting, boating and the many other forms of activity that characterise life by the sea play an extremely important role in shaping and sustaining the economies of cities and regions. The White Paper for Sustainable Coastal Development in South Africa (April 2000), published by the National Department of Environmental Affairs and Tourism, proposes that the direct and indirect benefits of the coast to the South African economy is valued at more than R186bn per annum.

The warm waters of the Indian Ocean and Durban’s magnificent and safe swimming beaches combine to underpin a substantial tourism and residential economy. People choose to live along and to visit the Durban and KwaZulu-Natal coastline primarily because of the natural attributes found here. This economic value that can be attached to our provincial and metropolitan coastal attributes was recognised decades ago and in 1959 the South African Association for Marine Biological Research (SAAMBR) was established in Durban to undertake a spectrum of activities focussed on preserving and conserving the region’s rich marine heritage.
In 1960, SAAMBR established and opened Durban’s first commercial aquarium, a facility that soon became Durban’s leading point of visitation for tourists to the city. In addition to operating Sea World as a tourist and entertainment attraction, SAAMBR continued to focus its activities on marine biological research and marine conservation programmes, creating the Oceanographic Research Institute (ORI) as its research wing, and an educational arm that has focussed its activities on encouraging the youth and community groupings to gain a better understanding of the natural marine environment.

SAAMBR has since 1960 endeavoured to sustain its operations by generating income from the aquarium entry fees, research assignments, grants and donations and – ultimately – an annual grant-in-aid from the Durban Council. Over the past forty years the organisation has expanded its research capacity, in the process becoming world-rated and internationally recognised as a leading marine biological research institute. ORI has conducted research assignments along almost the entire eastern seaboard of Africa, as far north as Eritrea and Somalia, and among the Indian Ocean islands of Reunion, Seychelles, Mauritius and Madagascar.

By the mid-1990’s SAAMBR had begun to experience serious operational and financial challenges. The Sea World premises and equipment had become outdated and antiquated, creating technical difficulties for animal husbandry and other core aspects of the organisation’s activities. The total staff complement of the organisation had grown considerably and this resulted in space limitations and the challenge of escalating overheads.

During the same period, the demand for marine biological research and conservation programmes escalated with additional pressure being brought to bear on local fish stocks and other marine resources. Between 1960 and 1990, KwaZulu-Natal experienced a significant deterioration in fish stocks as a direct result of over-fishing along the coast. This was in spite of concerted efforts on the part of SAAMBR to mitigate this depletion through effective conservation programmes. An added problem was the intimation from Durban’s Council that the organisation should do its best to find alternative means of funding in order that the council’s contribution could be reduced over time. SAAMBR therefore set out to find partner organisations that might be able to assist in providing a viable solution to safeguard the future of the organisation.

In 1997 SAAMBR entered into negotiations with Afrisun KZN (Pty) Limited, a company that had made public its intentions to bid for one of the two casino licences to be allocated in the Durban Metropolitan Region. Afrisun KZN – in which South Africa’s leading casino-resort company, Sun International (South Africa) Limited, holds 44% share of the equity – had identified the opportunity to obtain 50 hectares of prime developable land near Umdloti Beach and to create a casino-based ‘must see’ attraction with a strong marine theme.
The project proposal – to be known as the *Aquarius Entertainment and Water Wonderland* – was expected to cost some R1.6bn and would proceed on the basis that Afrisun KZN was awarded an exclusive (one-only) casino licence in Zone 1 (the Durban Metro Region). Aquarius would contain a Sea World facility on par with the very best marine-based theme parks around the world and SAAMBR would be engaged to manage the marine conservation and entertainment components of the theme park. Afrisun KZN and SAAMBR concluded Heads of Agreement in respect of the management contracts and, for a while, the future survival and expansion of SAAMBR seemed assured.

In April 1998, and again in August 1998, Afrisun KZN submitted to the KwaZulu-Natal Gambling Board two separate casino licence bid applications for Durban: one in respect of the Aquarius project in which SAAMBR would be directly involved, and the second in respect of an alternative non-marine concept that excluded SAAMBR. This second bid submission was predicated upon the Board issuing two casino licences in Durban, in which event Afrisun KZN believed an investment into a project of the scale of Aquarius would not be viable.

Although Aquarius scored top points in the KwaZulu-Natal Gambling Board’s adjudication of a *theoretical one-casino licence scenario*, the Board announced its intention in December 1998 to proceed with a *two-licence scenario* for Durban, thereby effectively excluding Aquarius from bidding contention. The agreement between SAAMBR had with Afrisun KZN was therefore terminated and the organisation was left once more to face the challenges for its future survival on its own.

**1.2 Council Strategy and Approach**

The strategic approach taken by the former Durban Metropolitan Council towards catalysing major new investment and tourism activity in the region is encapsulated in the report of the Best Practice City Commission and in the outcomes of the Durban Economic Growth Summit. Both processes recommended that Council would need to demonstrate leadership and example if new investment were to flow into the city.

Investor confidence needed to be lifted urgently and in 2000 Council agreed to the allocation of R100m towards the conceptualisation, planning and development of a world-class marine theme park. Principles that were intrinsic to this agreed allocation included:

- The R100m should be regarded as ‘seed capital’ and, wherever and to whatever extent possible, this funding should be leveraged through other public and private sector contributors;

- A professional property and development company, able to demonstrate a successful track record in unlocking commercial property value would need to be appointed to lead the project team;

- SAAMBR and its subsidiaries would need to be accommodated effectively in the new development, thereby assuring this organisation of a more certain future;
The issues pertaining to the involvement of Rocpoint (Pty) Limited and Renong Berhad in the Point precinct needed to be resolved with a view to obtaining greater clarity regarding the future relationship between the Point marine theme park project and the Malaysian-owned property assets;

An allocation of **R7.5m** would be set aside to enable the project team to research and prepare a business plan for submission to Council before the end of December 2000 in order that Council could make an informed decision as to whether to proceed with the project and any further expenditure in this regard.

Council agreed in June 2000 to the appointment of Moreland Developments (Pty) Limited as project managers. The brief given to Moreland was to prepare a detailed feasibility study to determine the viability of a marine-based theme park at the Point, that would accommodate SAAMBR and its research and educational arms, and to review the masterplanning of the Point precinct (although it should be noted that Moreland was not required to prepare a feasibility study in respect of the masterplan).

Moreland assembled a project team of local and national professionals and, during August and September 2000, engaged various professional theme park and aquaria designers and planners from the USA. These American consultants brought substantial international experience and expertise to the conceptualisation and planning phases of the project business and operational plans.

The project team presented its preliminary findings to Council in November 2000 and requested (a) an extension to the end of April 2001 to finalise a detailed feasibility study and (b) an increase in the study budget to R11m. Council approved both requests.

### 1.3 Objectives of the Feasibility Study

The primary objectives of the Feasibility Study are to:

- Conceptualise a world-class ‘must-see’ theme park attraction for the Bell’s Beach site in the Point;
- Accurately determine the capital cost of the project and identify the sources of finance that would be used to complement Council’s contribution;
- Determine the likely target market for the park and compare the revenue potential of this market to similar projects in South Africa and abroad;
- Drawing on the likely revenue scenario(s), determine a robust and feasible financial plan for the project concept;
- Determine an optimum operational plan for the project in terms of ownership, management and staffing;
- Determine the likely benefits to Council deriving from the theme park project in terms of enhanced social and economic benefits, and in terms of Council’s likely return on investment;
• Advise Council on how a broader framework plan could be developed and delivered for the Point precinct, and how the theme park would integrate into this broader plan.

• Make recommendations to Council regarding the quantum of its capital investment into and the development of the theme park.

The Feasibility Study commenced in July 2000 and has been undertaken by a multi-disciplinary team of professionals from Durban, Johannesburg and abroad. From the outset it was agreed that every effort would be made to empower professionals from previously disadvantaged backgrounds, and to build capacity and transfer skills through the interactions with the international consultants. The empowerment achievements during the first phase have been documented in *Volume 6 – Report to Council on Phases 1A and 1 B*, appended hereto.

### 1.4 Project Focus

The Moreland-led team focussed on the conceptualisation of a marine-based theme park, incorporating a water park, retail village and peripheral components, to be situated on 16 hectares of flat, open land at Bell’s Beach. The feasibility study was intended to design and deliver a ‘must see’ attraction that would meet or exceed the objectives referred to in 1.3 above. This executive summary of the feasibility study must be read in conjunction with the other volumes, annexes, appendices and supporting documents referred to throughout this volume and submitted under separate folder hereto.
2. CONCEPTUAL APPROACH

2.1 Conceptualisation

The brief given by Council to Moreland was to investigate the feasibility of developing a world-class marine-based theme park at the Point and, more specifically, to accommodate SAAMBR and its Sea World, research and educational activities. In approaching this brief, Moreland determined that the main aims of the development of the Point Marine Theme Park should be:

- To increase tourist arrivals to Durban;
- To inject additional revenue into the local economy;
- To rejuvenate the Point, which has become a neglected precinct; and
- To explore the linkages between the theme park and Durban’s beachfront, particularly along the southern stretches which are in a state of deterioration as a public amenity.

The team agreed that the project could feasibly become a primary catalyst to urban regeneration and renewal in this area and that the theme park could become a vibrant focal point for visitors to Durban and South Africa. The park is essentially a tourist and leisure destination and, as such, will be highly themed so as to create a facility focussed on providing affordable family entertainment, a fun place to visit in terms of both activity and visual imagery. The design and theme makes use of indigenous African imagery, lush vegetation, water and natural materials.

The concept that has been presented combines an oceanarium, comprising a saltwater aquarium with outdoor displays and exhibits, with a freshwater water park recreational facility and a designated retail village with small shops selling food and beverages, arts, crafts and goods and services. These principal components combine into one attraction to create a world-class theme park.

The four primary components – an oceanarium, a water park, a ‘festival’ retail walk and the linkages with the beachfront – would be operated separately under one management authority as described further on below. It is intended that the various components of the park provide an interactive experience for visitors, allowing them to participate in activities unique to the park and in keeping with a ‘must see’ attraction. In keeping with the ‘total entertainment concept’ visitors would always be in proximity to some form of action, be it leaping dolphins, adrenaline enhancing ‘shark slides’, the lazy river ride, beach-based activities or street performances. An abundance of food outlets and restaurants encourage the visitor to stay in the park for 3 to 5 hours.
2.2 Theme

The design of the park incorporates strong local themes, bringing a multicultural Durban flavour to the park while also providing cost saving opportunities against more international and hi-tech themes. The overall design theme is indigenous and multicultural in its use of colour, building materials, layout and aesthetics.

The superstructure of a contemporary shipwreck dominates the design aesthetic, creating a landmark that, if effectively marketed, could become symbolic of a visit to Durban. The design theme also recognises the open space at Bells Beach and the interaction between land, sea and sky. The park is laid out in open-plan so that visitors seldom lose sight of sea or sky and are able to enjoy the very best of Durban’s subtropical climate.

2.3 Design issues

The design of the attractions has been refined to the needs of the market and to the projected level of investment envisaged for the project. Guest facilities and operational issues have been carefully considered and the SAAMBR management team has assisted the professional team in developing the most appropriate operating scenario for the oceanarium and the water park. Key issues that were considered during the conceptualisation and design phases were:

- **Site prescriptions and opportunities**: site size, location, abutments, interaction with shore frontage, exposure to elements, access and potential to create a visible landmark were also carefully considered;

- **Cost**: the capital cost commitment was considered very important, given that Council had already pledged R100m to the project, and the expected leverage was taken into account as a priority issue;

- **SAAMBR**: whereas the overriding mission of the development is to create a landmark tourist attraction, the need to fully accommodate SAAMBR and its research and educational activities was recognised as being very important;

- **Relationships in the Point**: the team recognised from the outset that the theme park could not (and should not) be developed in isolation to other development scenarios in the Point, and during conceptualisation the project’s relationship with other elements of the Point (as envisaged) were carefully considered;

- **Themes and cultural identity**: the team recognised that the project should not be a replica of other international theme parks, and that it should take on an identity and imagery that closely reflects its geographic, historical and cultural heritage as a landmark for Durban, KwaZulu-Natal and South Africa; and

- **The ‘Offer’**: the team strived to conceptualise a project that offers visitors a rich mix of entertainment, affordable retail, educative experiences, leisure and recreational facilities, in a safe, easy-to-access and enjoyable environment. It is intended that aspects of the park will offer visitors a 24-hour experience, thereby catering for a range of entertainment and leisure preferences and requirements.
2.4 Core Components

The theme park has four primary core components: an oceanarium, a water park, a retail village and the peripheral services/products that cater for visitor requirements. The components to be delivered in terms of the proposed investment are described more fully below:

- **Oceanarium**

  The oceanarium will be a unique facility providing new opportunities for interaction with the Indian Ocean. It will build upon the work of SAAMBR and on the facilities currently on offer at Durban’s Sea World, bringing the interpretation and display of marine animals to a new level. The oceanarium will have an educational theme and focus, but the marketing and visitor offer will be driven through entertainment and fun, interactive experiences.

  The core components of the oceanarium will include the 2 000-seater dolphinarium, a 450-seater Seal show, shark tanks and other specialist viewing tanks. Other highlights of the oceanarium will include interactive facilities such as a dive tank and snorkelling area. A multi-purpose three-level event venue for hosting shows, promotions, banquets and product launches is to be provided. The basement of this venue will provide guests with a full view of one of the aquarium tanks, making use of glass and/or acrylic walls.

  An important element to be incorporated into the oceanarium will be the marine research facilities of the Oceanographic Research Institute (ORI), which are currently accommodated in the existing Durban Sea World premises. ORI provides the project with scientific and environmental credibility and the maintenance of the relationship with this organisation is regarded as very important. The oceanarium design reflects the need to accommodate and integrate ORI into the core functioning of the project.

- **Water Park**

  The water park will be situated alongside the oceanarium and has been designed as an integrated component. International experience shows that the optimal management system would see the oceanarium and the water park being operated as separate entities, but under one marketing and management umbrella body. Opportunities do exist to offer joint admission packages and to achieve operational economies of scale, and these are discussed hereunder.

  A replica sunken ship will dominate the design of the park, providing an iconic landmark for the project as well as creating opportunities to accommodate certain aspects of both the water park and oceanarium. For example, a water ride will flow through the hull of the ship, while it is envisaged in later stages that entertainment options such as a simulator and the 8/70 (3-D) theatre will be accommodated in the ship’s superstructure. A shark tank will also feature as an internal attraction within the ship’s hull.
The water park is to have a number of thrilling slides (including a spiral and ‘kamikaze’ slide), a swimming pool, a lazy river ride and separate food and beverage and retail facilities. Innovative design provides for lazy river and thrill slides to run ‘through’ the shark tank(s) and aquarium tanks (separated for safety by acrylic walls), with the swimming pool having a glass side through which to view the aquarium exhibits from under water. These innovations will add to the water park’s appeal. A tastefully landscaped beach frontage area and a boardwalk provide areas for visitors to stroll and to view the park’s attractions.

The water park is considered an essential component of the theme park and the project team’s research corroborates the target market’s enthusiasm for water-based leisure activities. However, given that an established water park already exists at the Village Green, it is proposed that the this component only be phased into the new theme park once the Village Green operation has been closed and/or demolished.

It is planned that the oceanarium and the water park are both to have some retail activity, with a retail store and a fast food outlet located in each of the two primary pay-to-enter areas and near to the water’s edge. The retail stores will focus on selling branded merchandise reflecting the park’s image and themes. The two fast food outlets will focus on servicing the catering needs of more than 1.13m visitors per annum. Revenue from these outlets will accrue to the park and is reflected in the Financial Analysis section below.

It must be noted at the outset that visitors to the park will be required to pay an admission fee when entering the oceanarium and/or the water park. Visitors will be able to purchase ‘joint tickets’ enabling access to both sectors of the theme park. Visitors wishing to enter the theme park and browse among the shops, or visit one or more of the restaurants and bars, will not be required to pay on entry. The oceanarium and the water park are therefore the two primary control areas from whence the bulk of the theme park’s revenue will be generated.

- **Village Walk – Retail Concourse**

  The Village Walk surrounds the Water Park and oceanarium and provides for approximately 11 250m² of ‘festival’ retail space, for lease to primarily smaller operators of restaurants, bars, kiosks, arts and crafts and other indigenous and tourist-focused goods and services. It is envisaged that the retail village will create numerous opportunities for the SMME sector and will offer visitors a market-style shopping and browsing experience.

  It is intended that the retail component of the theme park will be market-like, lively and characteristically Durban. Some of these shops, restaurants and bars would likely operate 24 hours per day, providing entertainment and shopping opportunities for visitors at different times of the day and evening.
The various structures will give the impression of a village, with articulated shop frontages and interdependent roofs, yet interlinked within. Wide ‘street scenes’ with generous roof overhangs will provide a spacious environment for visitors to amble and browse at leisure. Street furniture, signage and finishes will all be consistent with the concept and the theme will carry throughout. As in a typical village, the sizes of the buildings will vary, thus adding interest and diversity appropriate to a range of retail options.

The Village Walk area is accessed directly via the main entrance to the park. The bulk of the area is 10m above sea level and encircles the oceanarium (which is built at 6m above sea level) on the northern side, and overlooks the oceanarium at certain localities. All visitors to the oceanarium must pass along the Village Walk when moving to and from the main entrance to the park, thus enhancing traffic flow through this retail node.

Restaurants, bars and shops in the Village Walk will enjoy exceptional views of the Indian Ocean and the marine park and it is intended that these operations ‘spill out’ into open spaces to create a lively beachside atmosphere during day and night.

In terms of tenant mix, it is envisaged that the retail village will not be a traditional shopping mall, but rather will focus on fun products such as food and beverages, clothing and apparel, outdoor gear and equipment, curios, jewellery, leather ware and arts and crafts. Many of the non-F&B outlets will concentrate on selling impulse purchase goods as well as products unique to Durban and KwaZulu-Natal. A film development kiosk will be included in the mix. Stalls and barrows will provide retail business opportunities for emergent entrepreneurs and crafters.

**Retail Village Synopsis**

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
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<tbody>
<tr>
<td>Area</td>
<td>11 250m²</td>
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<tr>
<td>Position</td>
<td>Encircling the oceanarium – north</td>
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<tr>
<td>Aspect</td>
<td>Overlooks the oceanarium and enjoys exceptional views of the Indian Ocean</td>
</tr>
<tr>
<td>Architectural style</td>
<td>Village feel – multi-cultural Durban imagery</td>
</tr>
<tr>
<td>Theme</td>
<td>‘Festival retail’, fun, vibrant and market-like</td>
</tr>
<tr>
<td>Target markets</td>
<td>Tourists, leisure, impulse shopping, outdoor and water sports, wining and dining and browsing</td>
</tr>
<tr>
<td>Operating hours</td>
<td>Day and night, with certain aspects for 24 hours</td>
</tr>
</tbody>
</table>
- **Peripheral Components**

While the attractions form an important core component of the park, they are but a part of the overall development programme. Other elements that have been considered for integration into the project include additional retail space, offices, parking facilities (at-grade and multi-level) and the potential for two hotels and some residential apartments.

In addition to these proposals, plans have been mooted for the creation of other retail and entertainment uses on other parcels of land in the precinct and in immediate proximity to the new theme park. These additional component opportunities will form part of the precinct masterplan.

### 2.5 Summary of Components

A summary of the components included in the conceptual plan as developed by the Moreland-led professional team is as follows:

**Marine Park/Oceanarium**

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Components (Reflected as part of proposed capital cost)</th>
<th>Next Phase Attractions (Not included in Capital Cost reflected below)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main feature Shipwreck (Interactive attraction)</td>
<td>Hub restaurant, Tube slide, Shark tank, Shark slide, Lazy River passage</td>
<td>Theatre, Simulator, Swim thru’ tank, Entertainment area</td>
</tr>
<tr>
<td>Wonders of the Ocean (Exhibit hall)</td>
<td>Aquarium tanks – various species</td>
<td></td>
</tr>
<tr>
<td>Underwater World Experience (Exhibit hall)</td>
<td>Aquarium tanks – various species</td>
<td></td>
</tr>
<tr>
<td>Dolphin Show Pavilion</td>
<td>Seating for 2000 people, Quarantine tank (specialty tours), Vet lab and research facilities</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation Centre</td>
<td>Vet hospital, Microbiology lab, Offices, Treatment room, Cage area, Pool areas</td>
<td></td>
</tr>
<tr>
<td>Seal Show Pavilion</td>
<td>Seating for 450 people</td>
<td></td>
</tr>
<tr>
<td>Penguin Rookery</td>
<td>Exhibit area, Public viewing area</td>
<td></td>
</tr>
</tbody>
</table>
| Specialist Marine tanks | Shark tank  
|                        | Reef shark tank  
|                        | Open ocean tank  
|                        | Swim thru’ tank  
|                        | Manta Ray tank  
|                        | Mangrove tank  
| Water’s edge retail outlets | Fast food shops (300m²)  
|                        | Branded goods (450m²)  
| Support facilities | Public toilets  
|                        | Change rooms  
|                        | Storage areas  
|                        | Towel stores and lockers  
|                        | Rental kiosk  
|                        | Cleaning and sanitation rooms  
|                        | Plant rooms  
|                        | Dive room  
|                        | Mechanical workshops  
|                        | Quarantine areas  
|                        | Circulation equipment  
|                        | Water treatment rooms  

### Water Park

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Components</th>
<th>Next Phase Attractions</th>
</tr>
</thead>
</table>
| Swimming Pools                     | Adult swimming pool  
|                                    | Children’s pools                                                          |                        |
| Slides and rides                   | Lazy River ride (400m)  
|                                    | Water slide and splashdown pool  
|                                    | 3 x ‘kamikaze slides’  
|                                    | 5 x spiral slides  
|                                    | Zero entry pool (gradual edge)                                             |                        |
| Beach area                         | Sunbathing beach and decking around pools                                   |                        |
| Water’s edge retail outlets        | Fast food shops (109m²)  
|                                    | Branded goods (324m²)                                                     |                        |
| General water park area            |                                                                             | Cultural village  
|                                    |                                                                             | Canals and boulevards  
|                                    |                                                                             | Jetty and breakwater   |
## Village Walk

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Components</th>
<th>Next Phase Attractions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper level concourse</td>
<td>Retail shops</td>
<td></td>
</tr>
</tbody>
</table>
| Lower level concourse  | Retail shops  
4 x Restaurants  
3 x Coffee shops/Bistro  
6 x Fast food outlets  
1 x Pub  
2 x Entertainment areas  
Arcade game area  
Events Venue  
12 x Vendor carts       | ‘Hard Rock Café’                                                            |
| Support Services       | Public toilets – retail  
Public toilets - beach                                                      |                                 |

## Support Services and Facilities

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Components</th>
<th>Next Phase Attractions</th>
</tr>
</thead>
<tbody>
<tr>
<td>General environment</td>
<td>First Aid Station</td>
<td></td>
</tr>
</tbody>
</table>
| Main Entrance          | Entrance gate and ticket kiosks  
Security areas  
School group reception area |                                 |
| Parking control        | Car park  
Coach park and drop-off  
Parking control offices |                                 |
| Administration and Research | Aquarium admin offices  
ORI offices  
SAAMBR offices  
Sea World Educational Centre |                                 |
| Back of House          | Security offices  
Janitors stores  
Loading docks  
Staff areas  
Refuse areas  
Maintenance stores  
Landscape stores  
Elevators  
Service yards |                                 |
2.6 Site overview

- Location and site

The proposed site for the theme park is located at Bell’s Beach in the Point, approximately one kilometre from the CBD. The location of the site is at the undeveloped (southern) end of Durban’s beachfront – ‘The Golden Mile’. The Golden Mile area actually covers a significantly longer stretch of sea frontage than this name implies, and the main locus of tourism activity is currently situated around North Beach/Bay of Plenty. There are currently no obvious or immediate linkages between the proposed theme park development site and existing hotels or tourist attractions at north beach, and the opportunity is created to establish these linkages and thereby extend the beachfront from Snake Park in the north to the Point Marine Theme Park in the south and, eventually, through to the harbour mouth.

Challenges arising from the site’s distance from the core centre of tourist activity along the beachfront can be overcome through the use of transportation linkages, appropriate signage and effective marketing.

The Phase 1 build out of the theme park is proposed to be approximately 40 000m², excluding on-grade circulation space and water surface areas. The total area allocated to the development is 16 hectares, which also provides for future hotel sites, structured parking and facility expansion areas. The beach frontage is approximately 500m in length and is unimpeded in terms of its abutment.

- Topography and visibility

The site’s topography is favourable for development as the land is flat and investigations show that there are no site obstructions of any consequence. The site enjoys prime beach frontage and the immediate area surrounding the site is open thereby providing visibility from the beach and from adjacent and contiguous sites. Visibility from the CBD is, however, poor because of the number and height of high-rise office and residential buildings to the north of the site.

There are a number of high-rise and low-quality residential blocks immediately adjacent to the site and these, along with the Addington Hospital building, will affect visibility of the site and the aesthetics of the greater precinct.

- Access

The development site has existing access and egress routes – Point Road and Shepstone Roads, respectively – which link the Point to the CBD, the beachfront hotels, the Port of Durban, the ICC Durban and to the Victoria Embankment. Point Road and Shepstone Road are single carriageway routes and given that the Point is a promontory with little other developments or attractions, there is comparatively little traffic along these routes. The general area has a mix of light industrial, commercial, residential and other uses. The area is generally run down and unappealing.
The recent upgrade to Shepstone Road, and the conversion of this and Point Road into one-way arterials has combined with the recent opening of new bars and restaurants at the harbour mouth to increase the level of visitor traffic, particularly on weekends. Further improvements to the access routes and to the aesthetics and management of the precinct will be necessary in order to meet the requirements of the land use envisaged for the theme park, and to substantially increase the inflow of visitor traffic into the area.

- **Traffic flow**

Traffic counts have been undertaken for the two main access roads, as well as for the Golden Mile, Victoria Embankment and Brickhill Road. A comprehensive **Traffic, Transportation and Parking Plan** has been prepared by the consulting traffic engineers in respect of the entire Point precinct, and this plan will dictate the layout and access of traffic connectors and terminals in and around the marine theme park. This report is appended in *Volume 2: Land Development Plan*.

- **Public transportation**

Public transportation in Durban is limited and has mixed reliability. The majority of Durban residents requiring transport tend to make use of local minibus taxi services that are controlled by independent operators. These minibuses tend to operate along set routes, a number of which are within walking distance of the development site, and track commuter patterns rather than offering a true ‘individual choice’ fare option.

Public buses operate from the suburbs, bringing commuters and shoppers into the CBD. The Durban Transport Management Board operates the multi-stop ‘Mynah’ shuttle service along and around the beachfront precinct, and this service takes in the Point area and the development site, with a Mynah stop located immediately adjacent to the site.

A number of ‘yellow cab’ type taxis also operate in Durban, aimed mainly at the business hotel trade and at tourists. These cabs are expensive and cannot be flagged in public spaces (one has to call a taxi to a specific pickup point or walk to an approved taxi rank). Spoornet continues to run commuter and cargo trains into the Point precinct, with the Point Road station being the terminus for passenger trains. Trains are used mainly by lower income sectors of Durban’s society.
- **Proposed road and other improvements**

The project team is aware that negotiations are underway between the Council and the two casino groups that are contesting a casino licence application for the Village Green – Tsogo Sun and Durban Add-Ventures – whereby the eventual licensee will be obligated (in terms of its bid proposals) to construct a new, elevated ‘people movement’ system along the beachfront. Tsogo Sun has proposed a gondola cable-car facility, while Durban Add-Ventures is proposing a monorail system linking the Village Green, ICC Durban and the beachfront.

The likely outcome of this legal contest for a casino licence cannot be determined at this juncture. However, it would make planning sense whereby any new public transportation system should include facilities that extend along the beachfront to the theme park. This would substantially enhance public access to the park.

In terms of improvements to the road network surrounding the proposed theme park, Council will need to commit to approximately **R31m** in upgrades as detailed in the *Land Development Plan* attached in *Volume 2 – Supporting Documentation*.

- **Surrounding land uses**

The land is bounded to the south by properties currently owned by Rocpoint, to the northwest by the Addington Primary School, to the north by some high-rise, low quality residential buildings, to the southwest by light industrial use, and to the east by the Indian Ocean. The primary school might pose a development constraint, as it is understood that the School Board and the Department of Public Works are reluctant to sell this property at present. Should this primary school remain, it will have a material impact on the creation of a distinct destination on the development site.

- **Climate**

Durban enjoys a subtropical climate with hot summers and mild winters. The hottest months are from January to March, when average temperatures range from 23°C to 25°C. During the cooler winter months between June and August, temperatures average around 16°C. Durban temperatures are, on average, 5°C higher than Johannesburg and Cape Town throughout the year. This mild climate encourages year-round tourism and with summer breezes reducing the intensity of the heat and humidity, Durban is one of the most popular tourist destinations in the country.

The regional climate is an important factor in the planning and design of the project and special cognisance has been taken of the need for shade from the Sun, wind protection from the prevailing north-easterlies, and covered spaces during rainy weather.
2.7 *Relationships with Adjacent Landowners*

- **Rocpoint**

The project team accepts and proposes to Council that a fundamental principle of the development plan is that the marine theme park cannot and should not proceed in isolation to the development of the Point precinct: the theme park would be doomed to failure if it were not planned and developed in conjunction with a broader precinct master plan.

The landowner of the majority of the land immediately to the south of the development site is Rocpoint, the Malaysian-backed property development and administration company. Rocpoint has been under considerable public and council pressure to deliver meaningful property development in accordance with the terms and conditions of its 1996 purchase agreement in respect to this land. There has been some evidence of investment and development during the past year, notably the conversion of the Shot Blast Shop and parts of Shop 17 into restaurants and bars, and the paving of a public space between Shop 17 and the harbour wall. National property developers, Colliers RMS, have proposed a new retail scheme – Festival Market Square – and it is understood that this developer is now awaiting the opportunity to commence.

The approach taken by the project team in terms of the relationship of the development site to the Rocpoint property has been premised on the understanding that the theme park would not proceed in the absence of a firm agreement being concluded with Rocpoint with regard to the masterplanning of the entire precinct. To this end, the Project Director has engaged Rocpoint and its principals in Malaysia (Renong Berhad) with a view to negotiating a new joint venture. *Draft Heads of Agreement* have been agreed upon and these are appended in *Volume 5 – Heads of Agreement* for Council’s information and endorsement.

Council’s attention is drawn to *Volume 2 - Land Development Plan*, which provides detailed land planning and cost estimates in respect to the precinct masterplan. Reference is also made to the *Socio-economic Impact Assessment* prepared by Professor Jeff McCarthy and appended hereto, wherein the importance of a masterplan approach to the precinct is iterated.

- **Portnet**

Portnet is currently assessing the feasibility of (and need for) the widening of the harbour mouth to accommodate new generation merchant shipping (wide-berth) and to enable ships to enter and exit the harbour simultaneously – at present only one merchant ship at a time can traverse the harbour mouth due to its comparatively narrow configurations and due to the various sub-aquatic infrastructure obstacles that pose a danger to shipping.
The immediate implications of a decision to proceed with the widening of the harbour mouth would be the cutting of approximately 12 hectares of land currently leased to Rocpoint (from harbour wall to approximately 300m northwards) to create a new harbour wall. This would effectively result in the removal of the restaurants and bars situated at Kings Battery, Shot Blast Shop and Shop 17. The informal flea market operation in the old Maize Shed would also be directly affected.

Although the widening of the harbour mouth would not directly impact on the proposed theme park, it does hold implications for the development of properties on the land currently leased to Rocpoint, and therefore must be factored into any joint venture entered into with this company. Furthermore, the widening will effectively disrupt the current tourism-related activity in the Point, possibly returning the precinct to its previous economically and commercially stagnant status for some time to come.

The widening of the harbour mouth should, however, be regarded as positive development as it will create more efficient linkages within the precinct and enable more coherent masterplanning to occur.

Portnet has also revealed plans, in terms of its longer-term strategies for the development and operation of a cruise liner docking facilities and a world-class passenger terminal at a site adjacent to Point Road and abutting the Rocpoint land. The proposed new passenger cruise ship terminal has been accommodated in the framework plan and it is hoped that the development of the theme park and the broader precinct will encourage Portnet to fast track the construction of this terminal building and facility. This project is viewed as holding very positive implications for the broader masterplanning and development of the Point.

It is the view of the theme park project team that Portnet’s current and proposed activities in the Point do not adversely affect the masterplan and that Council should work around Portnet in the short term and engage this organisation in terms of longer range precinct planning and in exploring synergies.

- **Other landowners**

The project team recognises that there are a number of other landowners adjacent to and nearby the proposed theme park development site. The project team proposes that an ‘in principle’ agreement be taken to engage other landowners so that these stakeholders are able to participate meaningfully in the longer term benefits that will result from the development of the theme park.
3. **SOCIAL AND ECONOMIC IMPACT ASSESSMENT**

3.1 **Introduction**

The information and findings contained summarised in this chapter are derived from the research undertaken by respected Durban-based economist Professor Jeff McCarthy who was briefed to determine the probable socio-economic impacts of a marine theme park in the point. Professor McCarthy’s research was undertaken in February and March 2001 and, as such, represents the most current economic analysis available for this feasibility study. This study is contained in a report entitled *Probable Socio-economic Impacts of a Point Marine Park and Waterworld (March 2001)*, which is appended hereto in *Volume 3*.

The study considers an analysis of the likely impacts of the theme park as a stand-alone development, an analysis of adjacent area (precinct) impacts and the implications of the combined impacts. The findings of these analyses are summarised in this chapter and reference is made to the appended study report for more information to support these findings.

3.2 **Assessment of the probable on-site impacts of the theme park**

Having reviewed data from established local and international knowledge of marine theme parks, the study determined that the probable socio-economic impacts of a theme park in the Point, as viewed in isolation to other ancillary, adjacent or macro impacts, could be classified into three elements:

- **Construction impacts**
  
  Using BIFSA standards and methodologies, the study proposes that the theme park will create 6,000 direct temporary jobs and 12,000 indirect temporary jobs during construction phases.

- **On-site employment impacts**
  
  Based on the *Management Resources Report*, an assumption is made that some 232 permanent new on-site jobs in the oceanarium and water park and 500 permanent jobs in the Village Walk. An additional 241 part-time jobs will also be created, bringing the total operational job creation to 973 jobs.

- **Metropolitan area impacts**
  
  The metropolitan area impacts depend largely on the extent to which leakages to other areas can be constrained (i.e. the value of goods and services to be procured outside of Durban) and the extent to which the project enhances imported expenditures into the metropolitan economy. In the first instance, initial reports suggest that with the exception of certain specialist aquarium materials and expertise, expenditure should be mainly contained within the Durban area. In the second instance, the studies suggest that national and international tourism would be attracted to the park, and that this imported expenditure could lead to the possible retention of as many as 20,000 provincial tourism jobs over time.
The decision by Council to proceed with the allocation of R100m in grant funding and R257m in equity participation over a ten year period would result in a probable gain for Durban of 18 000 temporary jobs (construction related) and 973 permanent full-time and part-time jobs on site (operations related). In addition, the probable impact of the project is expected to result in the saving of as many as 20 000 permanent jobs in the metropolitan and provincial tourism industry.

3.3 **Probable off-site Socio-economic impacts**

Investing R357m for ten years with no expectation of any returns effectively means losing R36m per annum that could have been realized through investing the same quantum in a virtually risk-free investment (such as a fixed deposit): the question needs to be asked why would the public sector choose to do so? Beyond the probable external benefits discussed above, the other significant benefits that could be offered are:

- The investor would be securing market-related (on-site) income gain and/or capital gains from the project; and
- As a result of taking the equity stake the investor would gain access to other off-site capital gains associated with the ripple effects of the project.

By viewing the development of the Point precinct as a comprehensive commercial property development initiative, it is possible to estimate the likely socio-economic impacts of this investment. The socio-economic impact study suggests that over an eight-year period some 255 000m² new development yields could result from the broader development of the precinct. This would likely result in some 7 460 new jobs materialising from these adjacent area impacts.

3.4 **Concluding Analysis**

The socio-economic impact assessment notes that Durban is at a ‘crossroads’ in its development. In the Point area, investor confidence is lacking because nothing substantial has been done over the past decade to unlock value. Property values are declining in the CBD and beachfront environs, and vacancy levels are rising. The Council therefore has to consider the potential advantages of the calculated risk it would be taking by investing directly in the theme park.

The study concludes that:

- 18 000 new temporary jobs would be created ‘once off’ (during construction)
- 973 permanent new full- and part-time jobs would be created in the theme park (operations)
- 20 000 tourism jobs would be saved in the metropolitan region and the province
- 2 880 new jobs would be created per annum in adjacent area developments
- 5 450 new permanent jobs would be created in adjacent area projects
15 000 new jobs would be created in the metropolitan region

The municipal rates base would be enhanced by R13.4m

The development of the Point precinct would likely result in the mobilisation of some R2bn in new investment in the area over an eight-year period, realising a significant leverage of private sector investment from the Council’s contribution to the theme park and Land Development Plan.

The study states that the distribution of these externally derived benefits does not necessarily correspond with associated internal rates of return. The way the Point is currently legally structured means that Council will ultimately own or co-own the theme park, which has a comparatively poor return on investment to (for example) a fixed deposit.

In more positive terms, the investment into the project will result in many new jobs being created and many more existing jobs being saved. The Council would enjoy the benefits of an increase in the rates base, estimated at R13m per annum. The main beneficiaries of the project would be private landowners in the adjacent areas and Council would need to carefully consider how it would equalise the relative investment and returns between public and private sectors over the longer-term.

The study strongly recommends that the Council should *not* proceed with the funding of the theme park in isolation to obtaining a material stake in the redevelopment of the entire Point precinct. The future success of the marine theme park is inextricably linked to the development of the broader area. The study also notes that private-public partnerships are becoming increasingly more familiar in economic development scenarios nationally and abroad.

The study concludes that the development of the Council-funded theme park would result in substantial private sector leverage through the development of possibly R2bn in new commercial, retail, tourism, leisure and residential properties and economic activity in the greater Point precinct.
4. FINANCIAL PLAN AND RISK ANALYSIS

4.1 Capital expenditure

The capital expenditure for the theme park concept reflected above has been determined at R657m. This total is derived as follows:

<table>
<thead>
<tr>
<th>Capital cost item</th>
<th>R million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project capital cost</td>
<td>587.0</td>
</tr>
<tr>
<td>Fees</td>
<td>50.0</td>
</tr>
<tr>
<td>Land purchase</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total capital cost estimate</strong></td>
<td><strong>657.0</strong></td>
</tr>
</tbody>
</table>

The Indicative Capital Cost Scheme 5 Revision (A) report prepared by Mcintosh Latilla Carrier & Laing (MLC) reflects the capital cost commitment and is appended in Volume 3 – Supporting Documents for information. The components excluded from the initial indicative capital cost are clearly reflected in the MLC report.

The development programme for the project proposes that if construction of the project were to commence in 2001, the project would open approximately 22 months later, in late (pre-December) 2003. The Council’s capital expenditure contribution would therefore be incurred in Council’s financial years ending June 2002 and June 2003, in the form of two votes of R178.5m each.

The project team drew on commissioned research inputs and ancillary inputs and opinions to formulate what is believed to be an accurate and robust business plan for the theme park. This following information is dealt with hereunder:

- Project Income – annual basis
- Project Expenditure – annual basis
- Ten-year cash flow scenario
- Risk analysis
- Capital funding
- Return on Investment (ROI)

The project’s anticipated income and expenditure and the operating plan required to achieve this scenario has been projected as below.
4.2 Sources of Operational Income

Economic Research Associates (ERA) of USA and UK were commissioned to assist with the feasibility study. ERA income projections have been tested in the marketplace and are contained in their report: *An Economic Feasibility Study for Marine Park Durban*, which is appended in *Volume 3 – Supporting Documents*. ERA has undertaken an in-depth analysis of the likely revenue stream that will accrue to the park. The sources of income for NEWCO2 that have been identified are as follows:

- Admissions
- Revenue from ‘Water’s edge’ retailing
- Parking receipts
- Rentals and turnover receipts from the Village
- Income from the Events Venue and Beach Management
- Other concession income
- Vendor income
- Income from interactive facilities (diving in shark tank, swim thru’ etc)
- Sponsorships

Further research in this regard has been sought from the following sources (and these reports are also appended in *Volume 3*):

- Management Resources – international theme park consultants
- TH Nyasulu & Associates – local and national market research specialists
- Professor Jeff McCarthy – local and national econometrics consultant
- Mirage Leisure report on Retail and Parking operating income scenarios
- Octagon SA – commercialisation and sponsorship agency
- Foxon & Leisegang Chartered Accountants (SA) – Report of the Independent Auditor to Moreland Developments (Pty) Ltd. on Factual Findings

In addition, the research and feasibility study processes also involved obtaining inputs from organisations such as SAAMBR (which has experience in managing a commercial aquarium), property development and leasing specialists and water park operators.

4.3 Project Income

It is proposed that the project income will be derived from a variety of sources as described above. The ERA Report (See Chapter 11 of the *ERA Economic Feasibility Study*) outlines the potential financial performance for the theme park as follows:

4.3.1 Admission yield – Oceanarium and Water Park

ERA proposes that the admission price to the oceanarium would be **R60** per adult, which equates to **R52.63** net of vat. This net amount would not, however, apply to every entrant, as the park would provide discounted admission rates to different sectors of the market, e.g. school groups, children, pensioners, tour groups and others.
The average yield – that is the net average admission income revenue per person *once all the discounts have been applied* – is expected to be R31.58 per person. This is the gate admission revenue figure that has been used to determine the annual oceanarium admission revenue. Similarly, ERA has determined that the net average admission yield in respect of the Water Park would be R21.71 per person net of vat (based on a 55% discount yield on an adult admission price of R45.00).

A joint-entry ticket, one that permits a visitor to enter both the marine park and the water park has been priced at R90.00 (including vat) per adult, which is a R15.00 discount on the purchase of two separate entries (R60 and R45 respectively). ERA proposes that once the value-added tax has been excised, and once the yield factors have been applied (to achieve a true average discounted rate), a joint entry ticket would yield R45.39 per person.

ERA has projected attendance levels as follows:

<table>
<thead>
<tr>
<th>Year of Operation</th>
<th>Marine Park</th>
<th>Water Park</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>800 320</td>
<td>328 400</td>
<td>1 128 720</td>
</tr>
<tr>
<td>2008</td>
<td>864 905</td>
<td>361 520</td>
<td>1 226 425</td>
</tr>
<tr>
<td>2013</td>
<td>864 905</td>
<td>361 520</td>
<td>1 226 425</td>
</tr>
</tbody>
</table>

Using the 2004 projections as present day values, and applying the yield estimates, ERA determine that the admission revenue for the park should be in the order of:
### Projected Revenue – Marine and Water Parks

<table>
<thead>
<tr>
<th>Year of Operation</th>
<th>Marine Park</th>
<th>Water Park</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid entries 2004</td>
<td>800 320</td>
<td>328 400</td>
<td>1 128 720</td>
</tr>
<tr>
<td>Yield (Net of VAT)</td>
<td>R31.58</td>
<td>R21.71</td>
<td>R28.71 (Average)</td>
</tr>
<tr>
<td>Revenue</td>
<td>R25.3m</td>
<td>R7.1m</td>
<td>R32.4m</td>
</tr>
</tbody>
</table>

Reviewers of the ERA estimates for attendance consider these projections as being conservative, particularly in view of the fact that ERA has based its projections almost exclusively on the defined Primary Catchment Market (that which resides within a one-hour drive time of the project) and has discounted the visiting tourism markets as sources of income. Attendance levels and revenue streams have therefore been revised and adjusted and these are reflected in **4.3.8** below.

#### 4.3.2 Water’s Edge Retailing – Oceanarium and Water Park

It is proposed that a certain level of retailing activity within the contained, pay-to-enter components of the park could (or should) be owned and managed by the theme park management company. These specialists shops – referred to as ‘Water’s Edge retailing as per their site location – would be established and operated by this company and would generate a net revenue return for the company, which is reflected as added to the overall revenue stream and income statement below. It is proposed that eight shops be established and operated in this way, namely:

**Water’s Edge retailing**

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Shops</th>
<th>Area m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oceanarium</td>
<td>2 x Branded retail</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>2 x Fast food</td>
<td>300</td>
</tr>
<tr>
<td>Water Park</td>
<td>2 x Branded retail</td>
<td>324</td>
</tr>
<tr>
<td></td>
<td>2 x Fast food</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>Total m²</td>
<td>1 183</td>
</tr>
</tbody>
</table>
The type of merchandise to be retailed from these stores is specialist, impulse and highly branded (with theme park imagery). The food outlets cater specifically for visitors to the two venues (visitor totals are estimated at 1.13m per annum, or an average of 3,096 per day – every day of the year. These visitors will have paid to enter the two park areas and, as such, will be a highly captive market for the merchandise operations.

The calculation of the net revenue stream to be derived from these operations has been structured thus: ERA considers that, on average, each visitor to the oceanarium will spend R10 on F&B and R15 on merchandise (t-shirts, peaks and apparel, souvenirs and visitor mementos). The average visitor to the Water Park will spend R10 on catering, R4 on merchandising and R2 on other services such as locker hire, umbrella hire, suntan lotion etc. (these estimates include vat).

A summary of the potential retail F&B and merchandising revenue is therefore as follows:

<table>
<thead>
<tr>
<th>Revenue source</th>
<th>Oceanarium</th>
<th>Water Park</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;B</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Merchandise</td>
<td>15.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Sub-total: spend per person (incl. Vat)</td>
<td>25.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Sub-total: spend per person (excl. Vat)</td>
<td>21.93</td>
<td>14.03</td>
</tr>
<tr>
<td>Visitors per annum in 2004</td>
<td>800,320</td>
<td>328,400</td>
</tr>
<tr>
<td>Value in rands 2004 (excluding vat)</td>
<td>R17.6m</td>
<td>R4.6m</td>
</tr>
<tr>
<td>Total realisable (gross) revenue (sum)</td>
<td>R22.2m</td>
<td></td>
</tr>
</tbody>
</table>

The total sales generated from the oceanarium and water park will, however, have a cost of sales commitment – the actual cost of the product to be sold – which will reduce the net revenue accruable to the project. ERA has proposed cost of sales ratios as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost of sales %</th>
<th>Gross profit%</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;B</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>Merchandise</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>75</td>
</tr>
</tbody>
</table>

If the cost of sales is deducted from the revenue stream, the total accruable income to the project from F&B, merchandise and other commercial activities in the oceanarium and water park reduces by R9.5m from R22.2m to R12.7m per annum in 2004.
4.3.3 Interactive and other income – Oceanarium and Water Park

It is proposed that other sources of revenue-generating activity could (and would) be undertaken in the oceanarium and water park. ERA projects these other forms of activity as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Estimated annual revenue (Gross and excluding Vat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolphin swim (3 000 @ R175pp)</td>
<td>R525 000</td>
</tr>
<tr>
<td>Generic activities (R1.32pp in oceanarium)</td>
<td>R1 056 422</td>
</tr>
<tr>
<td>Corporate hospitality</td>
<td>R300 000</td>
</tr>
<tr>
<td><strong>Total other revenue</strong></td>
<td><strong>R1 881 422</strong></td>
</tr>
</tbody>
</table>

4.3.4 Rental income – Village Walk

The Village Walk provides for a total area of 12 000m², including a residual area of 750m², which equates to a leased area of 11 250m². Mirage Leisure has undertaken an assessment of likely rental yields in Durban, and has drawn on the expertise and opinion of a number of very experienced retail and commercial property consultants in determining the likely average gross rental income to derive from the Village Walk.

Mirage Leisure has determined that an annual gross revenue stream of **R16.4m** will be derived from the Village Walk in the first year of operation. This assumes that collections will be in the order of 100%. Mirage Leisure estimates that the operating costs associated with the retail Village Walk will average **R22/m²**, thereby yielding a net rental income of **R13.56m** per annum in the first year. As the base levels are considered conservative, turnover clauses would be introduced into lease agreements to enable the park to participate in any upside in the Village Walk trading environment. Rental escalation clauses would typically be around 10% to 12% per annum.

Mirage Leisure’s findings are contained in its report on the *Retail Vision and Indicative Income Statements* appended in *Volume 3 – Supporting Documents*.

The gross rental income also provides for the leasing of the 12 barrows (vendor carts). Reference is made to the specialist reports prepared by professional commercial and retail property development and leasing agents, as appended hereto.
4.3.5 Parking

It is proposed that by providing a gravel top and fenced and secured parking area, the project will attract a certain level of revenue. Based on 1.88m visitors per annum, and assuming a ratio of one vehicle for every 3 visitors attracted to the park, this equates to 626 000 vehicles being attracted to the project annually. At an average spend of **R5.00** per entry, this total provides the project with an additional **R3.1m** per annum in additional operating revenue, which equates to **R2.75m** net of vat and operator costs.

Additional revenue is likely to be derived from tenant parking and from tour coaches. It is estimated that total revenue that would likely be derived from the parking operation would be in the order of **R3.0m** in Year 1.

4.3.6 Sponsorships

Octagon SA (Pty) Limited, one of the leading sponsorship management companies in South Africa, undertook the preparation of a detailed ‘Commercialisation Plan’, aimed at establishing the value of corporate and other sponsorships that the project would likely attract. This report is appended in *Volume 3 – Supporting Documents*. Given the important marine research activities undertaken by SAAMBR and ORI, and given total visitor traffic estimated at 1.13m people per annum, Octagon provided an estimation of potential sponsorship revenue as follows:

<table>
<thead>
<tr>
<th>Sponsorship</th>
<th>Year 1</th>
<th>Years 2 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naming Sponsor</td>
<td>2.0m</td>
<td>3.0m</td>
</tr>
<tr>
<td>Area/Partner sponsors (6 @ R750 000 per annum each escalating to R1m each in Phase 2)</td>
<td>4.50m</td>
<td>6.0m</td>
</tr>
<tr>
<td>Supplier sponsors (6 @ R250 000 per annum each, escalating to R400 000 each in Phase 2)</td>
<td>1.50m</td>
<td>2.40m</td>
</tr>
<tr>
<td><strong>Total projected sponsorship revenue</strong></td>
<td><strong>8.0m</strong></td>
<td><strong>14.0m</strong></td>
</tr>
</tbody>
</table>

During Year 1, sponsors contracts are negotiated at discounted rates linked to Phase 2 renewal. During Phase 2 (Year 2 on), contracts are negotiated at established market rates for 3 to 5 years. A conservative value of **R5m** in corporate sponsorship has been assumed in Year 1 and included in the income projection hereunder.
4.3.7 Summary – Project Income

In summary, it is anticipated that the project would generate income as follows:

<table>
<thead>
<tr>
<th>Reference above</th>
<th>Income Source</th>
<th>Value (Excluding Vat) 2004 (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3.1</td>
<td>Admission yield – oceanarium and water park</td>
<td>32.4</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Water’s Edge retailing (after cost-of-sales)</td>
<td>12.7</td>
</tr>
<tr>
<td>4.3.3</td>
<td>Interactive facilities and other revenue sources</td>
<td>1.9</td>
</tr>
<tr>
<td>4.3.4</td>
<td>Rental income – Village Walk (after operating costs)</td>
<td>13.6</td>
</tr>
<tr>
<td>4.3.5</td>
<td>Parking</td>
<td>3.0</td>
</tr>
<tr>
<td>4.3.6</td>
<td>Corporate sponsorships</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td><strong>Total revenue</strong></td>
<td><strong>68.6</strong></td>
</tr>
</tbody>
</table>

On an investment of R657m, the project will generate gross revenues (except where direct cost of sales have been excised) of R69m per annum in 2004 terms, equating to a 10.5% on total capital, or 15.1% on equity.

4.3.8 Review and Revision of Income Streams

ERA has based its findings on a target market penetration that is almost exclusively focussed on primary catchment market area i.e. domestic, local visitor and tourist activity. ERA has, for reasons stated, not factored national or international tourism spend into the income statement.

Market research organisation, TH Nyasulu & Associates, and econometrics consultant, Professor Jeff McCarthy, were commissioned to review the ERA findings on total markets and penetration levels. This study, entitled *A Review of the Market Potential for a Marine Park and Waterworld at Durban’s Point (March 2001)* is appended in *Volume 3 – Supporting Documents*.

The review suggests that the ERA estimations of total market and likely visitor numbers are conservative and, given the collective marketing efforts being undertaken by Durban Africa, Tourism KwaZulu-Natal, the Events Corp. and the ICC Durban, it would be fair to assume an upward adjustment of 5.1% in visitor levels. The implications for the revenue streams are reflected as follows:
Revised Attendance Level Projections

<table>
<thead>
<tr>
<th>Year of Operation</th>
<th>Marine Park</th>
<th>Water Park</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>975 456</td>
<td>400 264</td>
<td>1 375 720</td>
</tr>
<tr>
<td>2008</td>
<td>1 040 041</td>
<td>433 384</td>
<td>1 473 425</td>
</tr>
<tr>
<td>2013</td>
<td>1 040 041</td>
<td>433 384</td>
<td>1 473 425</td>
</tr>
</tbody>
</table>

This adjusted visitor attendance estimate has direct financial implications for the project income and bottom-line profitability. Nyasulu and McCarthy use the ERA estimates on average admission yields and per capita consumer expenditure to arrive at a conclusion that the ERA income estimates could be feasibly upgraded by as much as R10m per annum from Year 1. The revised projected income statement, based on this assumption, is as follows:

Revised Projected Income Statement

<table>
<thead>
<tr>
<th>Income Source</th>
<th>ERA Projections 2004 (R million)</th>
<th>Revised Projections 2004 (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission yield – oceanarium and water park</td>
<td>32.4</td>
<td>39.5</td>
</tr>
<tr>
<td>Water’s Edge retailing (after cost-of-sales)</td>
<td>12.7</td>
<td>15.0</td>
</tr>
<tr>
<td>Interactive facilities and other revenue sources</td>
<td>1.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Rental income – Village Walk</td>
<td>13.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Parking</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Corporate sponsorships</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>68.6</strong></td>
<td><strong>78.8</strong></td>
</tr>
</tbody>
</table>
4.4 **Operational Expenditure and Overheads**

The costs associated with the project as conceptualised and planned have been calculated in terms of a collaborative effort involving Management Resources of California, USA, and the local/national professional team. The project’s operations have been segmented into functional areas of activity and costs have been determined and attached thereto.

A consolidated schedule of expenses for the first ten years of operation is provided overleaf and reference is made to the *Foxon & Leisegang Chartered Accountants (SA) Report of the Independent Auditor to Moreland Developments (Pty) Ltd. on Factual Findings*, appended in *Volume 3 – Supporting Documentation*. This report provides specific details regarding the calculation of operating cost estimates per functional area.

In the first year of operation –2004 – these expenses are calculated as follows:

**Expenses: 2004**

<table>
<thead>
<tr>
<th>Functional Operating Area</th>
<th>R (million) (Excluding vat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>21.76</td>
</tr>
<tr>
<td>Marketing</td>
<td>5.82</td>
</tr>
<tr>
<td>Husbandry (includes animal food)</td>
<td>2.32</td>
</tr>
<tr>
<td>Wardrobe, supplies and other costs</td>
<td>1.22</td>
</tr>
<tr>
<td>Maintenance</td>
<td>2.21</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.45</td>
</tr>
<tr>
<td>Utilities (electricity, water etc.)</td>
<td>3.61</td>
</tr>
<tr>
<td>Contract services</td>
<td>0.23</td>
</tr>
<tr>
<td>Communications</td>
<td>1.28</td>
</tr>
<tr>
<td>Professional services</td>
<td>0.99</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>0.29</td>
</tr>
<tr>
<td>Miscellaneous/other</td>
<td>0.58</td>
</tr>
<tr>
<td>Research operating costs</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>Total Expenses - 2004</strong></td>
<td><strong>43.76</strong></td>
</tr>
</tbody>
</table>

It should be noted that the cost of sales component on the Water’s Edge retail operations has not been included in this schedule, nor have the operating costs associated with the Village Walk retail sector. These two cost centres have been netted against the gross revenues respectively, and only the net income for those two operating areas has been reflected in the project income statement above.
4.5 Profitability

Based on the income and expenditure assumptions in 4.3 and 4.4 above, the project profitability is projected as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Profitability Scenarios (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Gross operating income</td>
<td>78.85</td>
</tr>
<tr>
<td>Gross operating expenditure</td>
<td>43.76</td>
</tr>
<tr>
<td>Gross profit (EBITDA)</td>
<td>35.09</td>
</tr>
<tr>
<td>Interest on R200m borrowings</td>
<td>29.54</td>
</tr>
<tr>
<td>Profit (before tax, depreciation and amortisation)</td>
<td>5.55</td>
</tr>
<tr>
<td>% Return on equity (R400m)</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

The *Financial Analysis* supporting this summary statement is contained in the income and expenditure statements and cash flow projections appended in *Volume 3 – Supporting Documents*. 
5. CAPITAL FUNDING STRUCTURE

5.1 Funding

The project that is being proposed has an indicative capital cost of \textbf{R657m}. It is proposed that this capital funding be structured as follows:

![Capital Funding R657m]

The Council, IDC and DBSA funding (\textbf{R457m} in total) would be provided in the form of long-term equity (minimum seven years for IDC and DBSA) and commercial bank funding would be provided in terms of \textbf{R200m} in loan finance, repayable over ten years and calculated at an interest rate of \textbf{14.5\%} per annum.

The banks would obtain a notarial bond over the property and improvements as their security. A specialist survey was commissioned to ascertain the likely response that the IDC, DBSA and other institutions would have to the project. This report, compiled by BvD Consulting cc and entitled \textit{Report on First Phase Discussions with the Selected Financial Institutions} is appended in \textit{Volume 3 – Supporting Documents}.

The BvD Consulting research determined that IDC and DBSA were the only two institutions that showed interest in the project and that certain conditions would need to be met in terms of the structuring of the project in order to meet these two institution’s criteria for equity participation. Letters expressing interest were received from both institutions and are attached with the BvD Consulting Report.
An important principle contained in this proposed capital funding structure pertains to Council’s contribution. In 2000, Council agreed to a capital contribution of R100m towards the project. After thoroughly researching the feasibility of a theme park at the Point, it is proposed that the Council’s contribution would need to be increased to R357m if the project is to proceed. This issue and its implications are dealt with in more detail under Chapter 12 - Recommendations.

5.2 Return on Investment (ROI)

The returns to be derived from the project over its project life average 7.91% on equity per annum and 7.98% on investment. Although these returns may seem low compared to other financial and property investments, the returns must be considered in terms of the massive socio-economic benefits that accrue to Durban and to the Point precinct in particular, as articulated in Chapter 3.0 above.

Over the longer-term the project’s Return on Equity (ROE) increases to 34% per annum by 2013 and the Return on Assets (ROA) grows steadily to 10%.

A Ratio Analysis Schedule reflecting the likely ROE and ROA is provided overleaf for information.

A policy would need to be determined with regard to the distribution of any operating surpluses and decisions taken whether these are to be used to hasten debt reduction, for reinvestment in new attractions or upgrades within the park, or if surpluses are to be paid out in part as dividends. The Board of Directors of NEWCO 2 would decide on the policy and approach in this regard.
6. OWNERSHIP AND MANAGEMENT AGREEMENTS

6.1 Equity Participants

It is proposed that ownership of the marine theme park be dealt with in terms of the following principles:

- Council and Rocpoint enter into a new Joint Venture (NEWCO 1) to develop the entire Point precinct (see Volume 2 – Land Development Plan).

- NEWCO 1 sells the 16ha theme park development site to a new management company NEWCO 2 for approximately R20m;

- NEWCO 2 develops, owns and operates (or concessions aspects of) the theme park and its components.

It is envisaged that Council would acquire the majority of the equity in NEWCO 2, which would be distributed as follows:

![Equity Distribution Chart]

The equity share is calculated on the respective contributions made by Council, IDC and DBSA to the R457m equity funding required for the project. NEWCO 2 would be established as a proprietary limited company, in terms of the South African Companies Act. NEWCO 2 would raise R200m in borrowings from commercial South African banks, repayable over ten years at an agreed interest rate. Neither Council nor IDC and DBSA would be required to stand surety for the borrowings; the lending institutions would obtain surety by way of the issuing of notarial bonds over the property in favour of the banks.
6.2 Board of Directors

It is proposed that a Board be established NEWCO 2 comprising no more than four executive directors and eight non-executive directors as follows:

Executive Directors – Contracted to NEWCO 2

- Chief Executive Officer
- Operations Director
- Financial Director
- Marketing Director

Non-Executive Directors

- Council Two directors
- IDC One director
- DBSA One director
- SAAMBR One director
- Banks One director (to represent lending institutions)
- Private Sector Two directors (marketing/financial management specialists)

It is proposed that for purposes of continuity the Moreland Developments executive responsible for delivering the project plan and funding be appointed Chairman during the construction, development and initial operating phases.

6.3 Dividend Policy

The Board would need to establish policy for the distribution of equity. However, in anticipation of such policy, the initial financial feasibility study suggests that the following principles be adhered to:

- The R200m debt is reduced to nil over a period of 120 months, with interest paid in six-monthly instalments;

- No dividends to be declared until debt level is reduced below 75% of total borrowings;

The financial feasibility suggests that Council is unlikely to derive a dividend during the first ten years of operation, and that its return, and that of IDC and DBSA, on the R457m equity investment would be realised through growth in share value as debt is reduced and the project operating income matures. It must also be noted that Council, IDC and DBSA would realise ‘development dividends’ i.e. end benefits for society and the economy during the ten years and beyond as a result of the R457m investment.
6.4 Exit Strategy

Simply put, Council needs to take a long view on the project. Council is not likely to receive any financial return during the first ten years of operation but the expected economic multiplier effects on the Durban economy would almost certainly offset this. In addition, the unlocking of the development masterplan in the Point precinct would likely generate significant income opportunities for Council.

The IDC and DBSA would be offered the opportunity to redeem their respective equity contributions after seven years of operation, with Council and/or the private sector taking up these shares. The disposal of IDC and DBSA shares could represent and opportunity for a local or national empowerment company to acquire a direct equity stake in this important tourist attraction.

It is anticipated that IDC and DBSA would each receive a 10.55% return on investment by Year 7 (2010) and a 12.54% return on investment by Year 8 (2100).

6.5 Outsourced Management Company Option

An option that could be explored during the development phase and prior to the recruitment of operational personnel is that of appointing an outsourced management company to take full responsibility for the management of the park. NEWCO 2 would appoint this company and, in turn, it would enter into the management agreements as indicated in 6.6.1 to 6.6.6 and 6.7.1 to 6.7.6 below.

The benefit of such an option is that a nationally competent and experienced company that already has the resources available for managing large-scale theme park and entertainment centres could take responsibility for operations thereby ensuring that the park functions to the optimum performance from the outset, rather than having to go through an establishment process and learning curve.

Established companies such Afrisun KZN (and its partner, Sun International Management Limited), Tsogo Sun and Monex Limited could be possible contenders for such an outsourcing arrangement. Old Mutual –with its experience in ‘shoppertainment’ could also be a likely candidate. The appointed company would manage the park on behalf of NEWCO 2 and would receive an agreed management fee in return for achieving agreed financial and operational performance levels. Efforts would also be made to achieve the obvious synergies between the theme park and entertainment developments planned for Village Green and/or Umdloti and Umhlanga Rocks, which would likely result in substantial downstream benefits for the theme park.
6.6 Management Agreements

NEWCO 2 would assume overall management responsibility for the theme park. This responsibility would be discharged through the Board of Directors and the management team and personnel. It is proposed that NEWCO 2 would seek to outsource specific areas of operational activity, and that this outsourcing would be achieved by way of management agreements with third parties as described graphically hereunder:

The specific management agreements envisaged for the operation of the park are as follows:

6.6.1 SAAMBR

Draft Heads of Agreement have been prepared (copy appended in Volume 5 – Heads of Agreement) wherein NEWCO 2 would contract SAAMBR to manage all aspects of the oceanarium to include:

- Capture and stocking of live exhibits
- Marine animal husbandry
- Aquarium Tank
- Specialist Tank management
- Dolphin Show management
- Seal Show management
- Penguin Rookery management
- Interactive features (dive experience and others)
- Water supply, filtration and treatment
- Marine plant life
SAAMBR would also be responsible for all educative aspects of the Marine Park, to include presentations, hosting of schools tours, lectures and demonstrations. ORI would conduct research programmes in accordance with its mandate.

SAAMBR would receive a management fee for its services, which would include the following specified overheads:

- Personnel costs (salaries, wages, benefits, bonuses and other HR costs)
- Administration (office costs, telephones, stationery and others)
- Animal maintenance costs (feed, medicine, vet costs and others)
- Life support system maintenance costs
- Insurances (stock, public liability, fixed assets)
- Research

The details of this fee structure, and the financial implications thereof, are contained in the *Heads of Agreement* document in *Volume 5*.

The agreement between NEWCO 2 and SAAMBR provides for a mutually supportive and consensus-driven operational arrangement: it would be in neither party’s interests for the project to under-perform, and both SAAMBR and NEWCO 2 would have an objective of delivering an optimum financial and operational performance. SAAMBR also brings to the project 40 years of aquarium experience, and has existing stock and the requisite licences to capture new stock for the park.

### 6.6.2 Water Park Operator

The Water Park operations would be outsourced to a private sector operator that has experience, expertise and resources in the management of water parks and public recreation facilities. This operator would be secured through a public call for proposals. It is envisaged that the operator would be paid a fee for various managerial aspects, to include:

- Staffing (lifeguards, pool attendants, slide operators, maintenance, cleaning and security)
- Public liability (the operator would be liable for all cover and all claims against the water park operation)
- Pool, slide and ride maintenance
- Management of change rooms, lockers and related guest facilities

The water park operator would be contracted to the park for a fixed period, renewable upon negotiation and performance evaluation.
6.6.3 Village Walk Operator

NEWCO 2 would engage the services of a professional retail management company to manage all aspects of the Village Walk, to include management of the shops, restaurants and bars and kiosks and vendors. A public call for proposals would be used to attract an experienced operator with a proven track record in successful retail management. The operator would be given responsibility for:

- Determining the retail mix
- Attracting the most appropriate retailers and F&B operators
- Negotiating and entering into tenancy and lease agreements
- Managing the retail product mix and tenant disputes
- Cleaning, security and maintenance of the retail village
- Rental collections and debtor control
- Legal actions against non-performing tenants
- Monitoring tenant turnover performances
- Tenant liaison
- Managing vendors and kiosks
- Escalations and renewals
- SMME mentoring and advisory assistance
- Retail village promotional opportunities

All rent and other non-tenant income from the village would accrue to NEWCO 2 and the retail operator would be paid a fee to be determined by its performance in terms of meeting targets for rental mix and collections. This fee would be used to pay staff and administrative overheads, as well as security, cleaning and maintenance of the village environ.

6.6.4 Event Venue Operator

A professional event management company would be engaged and contracted to undertake regular events and promotions within the theme park, aimed specifically at generating additional revenue for NEWCO 2, and at attracting visitors to the park. This operator would be assigned responsibility for the events venue located in the theme park, and would coordinate activities such as:

- Product launches and promotions
- Fashion shows and social activities
- Corporate hospitality events
- Convention banqueting/breakaway activities
- Theme parties and receptions

The event management company would generate income through the lease of the event venue and facilities, and would be paid a fee commensurate with industry standards and performance. A marketing budget allocation would be assigned to assist in attracting the types of events envisaged for this facility. It is proposed that the Event Venue operator would collaborate with ICC Durban in staging pre- and post-convention banquets, launches and receptions, thereby bringing national and international visitors to the Park.
6.6.5 Beach Operator

The stretch of shorefront from Addington Beach to Vetch’s Pier is considered a valuable asset for the theme park. It is proposed that Council alienates its responsibility for Bell’s Beach to NEWCO 2 who, in turn, would appoint a professional beach management company to undertake various promotional and beach-related activities. The beach management company would be responsible for:

- Cleanliness and beach maintenance
- Safety and security (on- and off-shore)
- Sports events and public activities
- Promotional events (surfing competitions, jet ski races etc)
- Theme events
- Beach facilities (towels, deck chairs, umbrella and surf equipment hire)

It is envisaged that the beach management operation will be a financially self-liquidating activity.

6.6.6 Parking Operator

NEWCO 2 will engage a professional parking concession company to manage all aspects of vehicle (car, coach, bus and taxi) arrivals, parking and departures. NEWCO 2 will install all fixed infrastructure, to include the flat-top parking areas, demarcated coach, taxi and bus areas, fencing, gates, ticket kiosks and booms, signage and lighting.

The parking operator will be paid a fee for managing these assets and for:

- Collecting and depositing revenue
- Public liability and other insurances
- Parking area and equipment maintenance and cleaning
- Security

The parking operator will be contracted in terms of fixed period arrangement, renewable on negotiation and performance evaluation.
6.7 Concessions

NEWCO 2 will enter into concessions with selected operators in the following areas of operational activity:

6.7.1 Security

NEWCO 2 will appoint a professional security company to manage all aspects of the property security, where these do not fall under the direct control of the above contracted management companies. The activities envisaged for the security company will include:

- Perimeter and gate security
- Internal park crowd control and security
- Camera surveillance
- Asset security
- Internal area/restricted area security
- Loading/dispatch dock security

6.7.2 Merchandising and Water’s Edge Retail

NEWCO 2 believes that the theme park will, in time, develop its own intellectual property in the form of its name and imagery. The opportunity exists whereby the trademark name and imagery/logo will be packaged as a concession and subcontracted to an experienced merchandising and marketing company. The types of product that this company would produce and retail under licence to NEWCO 2 will likely include:

- Apparel (caps, peaks, t-shirts, jackets, scarves, sweaters etc.)
- Banners and flags
- Collectibles (mugs, glassware, curios, teaspoons, pennants etc.)
- Photographs (mounted or in poster form)
- Soft toys (themed)
- Sweets
- Calendars and novelty goods
- Surf wear, swimwear and active wear
- Books, brochures, maps, coffee table publications

NEWCO 2 would derive a concession fee and a percentage of sales turnover from the merchandise concession. In the study it is intended that NEWCO 2 would retain management control over the food and beverage outlets located within the Marine Park and the Water Park. NEWCO 2 would recruit and employ the staff necessary to manage the Water’s Edge retail and would generate revenue through sales. The projected revenue and cost-of-sales have been reflected in the projected income statement above. It is possible that NEWCO 2 would consider alienating these operations to an experienced and capable operator on a management fee basis, however given the value attached to these operations, this would require careful consideration.
6.7.3 Themed Entertainment

An opportunity exists to enter into a concession agreement with a company that would provide a ‘characterisation’ service whereby new and exciting characters would be created and would stroll around the park entertaining children and providing photo opportunities.

6.7.4 Vendors and Hiring Services

NEWCO 2 would enter into concession agreements with companies providing machines that vend specific products such as lottery tickets, children’s toys, cigarettes and certain sweets/cold drinks. These concessionaires would emplace their machines in the park and would pay NEWCO 2 a fee for this right of trade.

NEWCO 2 would also look to enter into agreements with concessionaires providing unique services such as strollers, babysitting/creche facilities or other added-value offerings.

6.7.5 Staff Canteen

The park will employ at least 973 people and will therefore likely require staff catering facilities. It is proposed that these facilities could feasibly be sub-contracted to an experienced and capable concessionaire who would take full responsibility for all aspects pertaining to the provision of meals and refreshments to members of staff.

6.7.6 Cleaning

The park will require a reasonably large cleaning contingent, responsible for general building and site cleaning and litter collection. It is proposed that this service could quite feasibly be outsourced to an experienced and capable cleaning and refuse removal company.
7. OPERATING PLAN

7.1 Management Structure

NEWCO 2 will take overall responsibility for the following key operational aspects of the park, which are consolidated under the functional operations entitled General Management and Centralised Operating Services. The envisaged organisational structure of the operating company and its subordinated lessees and concessionaires is envisaged thus:
7.2 General Management: Central Operating Services, Human Resources, Marketing and Finance

The management company will assume a range of general management activities as described hereunder. It is envisaged that three key directors will report directly to the CEO/General Manager, namely the Marketing Director, Operations Director and Finance Director. The Operations Director will manage the activities and performance of the three principal component operators, as well as take responsibility for Central Operating Services and HR & Training functions. Activities to be managed by the Management Company include:

- Revenue collections
  - Gate takings
  - Parking receipts
  - Rentals from the Village Walk
  - Income from Water’s Edge retailing
  - Income from the events venue
  - Income from Beach events
  - Concessionaire income
  - Vendor income
  - Income from specialist activities (diving, swim thru’ etc)
  - Sponsorships, grants and donations

- Accounting and financial management
  - Financial control
  - Accounting and cash control
  - Budgets and planning
  - Payroll
  - Purchasing
  - Information services
  - Insurances
  - Internal Audit
  - Managing operator agreement payments/disbursements

- Marketing and communications
  - Theme park imagery development and enhancement (creative services)
  - Marketing, advertising and promotions
  - Special events and promotions (other than Event venue company)
  - Public relations
  - Media liaison
  - Internet marketing and website management
  - Group sales and tourism industry liaison
  - School group marketing
  - Corporate Social Investment activities
  - Membership development
• Operations
  – Visitor services
  – Entertainment
  – General services
  – Security
  – Human Resources, Training and staff development
  – Leases and concessions
  – Landscaping and maintenance
  – Warehousing
  – Ticket sales
  – Guest relations
  – Access control

The proposed personnel organisational structure required to undertake these areas of general management is reflected as Exhibits I, II and III, and Exhibits X to XIII in the Management Resources Report appended in Volume 3 – Supporting Documents.

7.3 Marine Park

SAAMBR will take responsibility for all operational aspects of the Marine Park, as described above. The proposed personnel organisational structure required to undertake these areas of Marine Park management is reflected as Exhibits IV - VII in the Management Resources Report appended in Volume 3 – Supporting Documents.

7.4 Water Park

An appointed operator will take responsibility for all operational aspects of the Water Park, as described above. The proposed personnel organisational structure required to undertake these areas of Water Park management is reflected as Exhibit VIII in the Management Resources Report appended in Volume 3 – Supporting Documents.

7.5 Village Walk

An appointed operator take responsibility for all operational aspects of the Retail Village and F&B lessees, as described above. The proposed personnel organisational structure required to undertake these areas of retail management is reflected as Exhibit IX in the Management Resources Report appended in Volume 3 – Supporting Documents.
7.6 Total Staffing

A total of 473 salaried and wage-earning personnel will be employed by the Management Company and the component operators to run the theme park. The personnel count is reflected as follows:

<table>
<thead>
<tr>
<th>Grade/Function</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Management</td>
<td>2</td>
</tr>
<tr>
<td>Marketing</td>
<td>9</td>
</tr>
<tr>
<td>Finance</td>
<td>10</td>
</tr>
<tr>
<td>Operations</td>
<td>161</td>
</tr>
<tr>
<td>Oceanarium (SAAMBR)</td>
<td>114</td>
</tr>
<tr>
<td>Water Park</td>
<td>6</td>
</tr>
<tr>
<td>Village Walk Retail</td>
<td>3</td>
</tr>
<tr>
<td>Central Operating Services</td>
<td>31</td>
</tr>
<tr>
<td>Human resources</td>
<td>7</td>
</tr>
<tr>
<td>Full-time equivalents</td>
<td>50</td>
</tr>
<tr>
<td><strong>Sub-total personnel (full-time)</strong></td>
<td>232</td>
</tr>
<tr>
<td>Part-time staff</td>
<td>241</td>
</tr>
<tr>
<td><strong>Total jobs created</strong> (Management Company)</td>
<td>473</td>
</tr>
</tbody>
</table>

In addition to these 473 full- and part-time personnel, the Village Walk restaurants and retail operations and the parking facility will also create a number of new job opportunities for full-time and part-time personnel, estimated at 500 new jobs.
8. MARKETING PLAN

8.1 Target market profile

The ERA report contains the methodology used to determine the target market profile. This report has been augmented and corroborated by TH Nyasulu & Associates and Professor Jeff McCarthy. The findings are contained in the reports attached hereto.

In determining the target market profile and likely average spend per person, ERA undertook a comparative analysis of eight international aquaria/oceanaria and two major international water parks. These were:

Aquaria/Oceanaria

- Marineland, France
- Kelly Tarlton’s Underwater World, New Zealand
- Sea World, Australia
- Ocean Park, Hong Kong
- Mundomar, Spain
- Loro Parque, Tenerife
- Underwater World, Australia
- Sydney Aquarium, Australia

Water Parks

- Aquapark, Tenerife
- Aquapark, Spain

The findings of this comparative analysis are contained in detail in the ERA report. Using this information as base data, and drawing on extensive inputs from Tourism KwaZulu-Natal and other tourism industry research and marketing agencies, ERA determined that the characteristics of attendance at the Point marine theme park would be:

- First full year of trading will be 2004;
- Concept will appeal to a wide range of visitors, in terms of age, culture, geographic distribution and economic standing, and to both the resident and tourist markets;
- The oceanarium and water park will engage visitors for an average duration of three to five hours;
- On-going investment will be made into refurbishment of the park and into new attractions;
- The attraction will be operated, marketed and managed to international standards
- A strong pre-opening marketing campaign will be implemented and on-going marketing and communications will be proactive and aggressive.
ERA has segmented the target market into four main sectors, and has projected the likely size of these markets as follows:

**Current and projected available markets**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Resident market</strong></td>
<td>000’s</td>
<td>000’s</td>
<td>000’s</td>
</tr>
<tr>
<td>Primary (0-1 hour drive time)</td>
<td>3,050</td>
<td>3,145</td>
<td>3,163</td>
</tr>
<tr>
<td>Secondary (1–2 hour drive time)</td>
<td>1,324</td>
<td>1,365</td>
<td>1,373</td>
</tr>
<tr>
<td><strong>Total resident market</strong></td>
<td>4,374</td>
<td>4,510</td>
<td>4,536</td>
</tr>
<tr>
<td><strong>Tourist market</strong></td>
<td>000’s</td>
<td>000’s</td>
<td>000’s</td>
</tr>
<tr>
<td>Domestic</td>
<td>4,032</td>
<td>4,539</td>
<td>5,261</td>
</tr>
<tr>
<td>International</td>
<td>464</td>
<td>526</td>
<td>614</td>
</tr>
<tr>
<td><strong>Total tourist market</strong></td>
<td>4,496</td>
<td>5,065</td>
<td>5,875</td>
</tr>
</tbody>
</table>

Using the international comparative analysis and drawing on data obtained from other South African tourist attractions (nationwide), ERA was able to project the level of penetration that the Point Marine Park would likely achieve into the four main market segments. This projection was then utilised as a basis to determine the likely annual attendance levels from 2004 onwards.

Factors that were taken into account in determining these projections included:

- Proximity to the park and public and private transportation
- Mean household income levels in primary and secondary residential markets
- Seasonal variations
- Perceptions of the Point precinct

ERA applied low, medium and high market penetration rates to the market sectors to determine projected attendance at the oceanarium and the water park, as separate entities. A total annual attendance figure was then projected for 2004 and 2008. This data is reflected in the tables in the ERA Economic Feasibility Study.

Penetration levels applied to the market segments were as follows:

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Penetration %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Primary resident (0-1 hour)</td>
<td>6%</td>
</tr>
<tr>
<td>Secondary resident (1–2 hour)</td>
<td>1%</td>
</tr>
<tr>
<td>Primary tourist (domestic)</td>
<td>8%</td>
</tr>
<tr>
<td>Secondary tourist (international)</td>
<td>25%</td>
</tr>
</tbody>
</table>
ERA projects that the sum of visitors from all four market segments will be 1,13m persons per annum in 2004, increasing to 1,226m people per annum in 2008. These attendance levels have been used to project the income streams reflected in 4.0 above.

The distribution of attendance over the period of each operating year has also been projected to enable the likely cash flows and operating management plans to be determined. The seasonal variations will differ for the oceanarium and the water park, with the latter attracting higher monthly attendance levels in the warmer summer months.

The target market penetration data compiled by ERA has been used to inform the financial projections and to establish the size of the project, traffic flows and the operating plan.

The project team believes that the ERA projected attendance levels are very conservative and that the park is likely to attract substantially more people on an annual basis than has been projected at this stage. The combined activities of Durban Africa, Tourism KwaZulu-Natal, the Durban Events Corp. and the ICC Durban provide the region with a substantial collective marketing effort, much of which is directed at the Gauteng markets – the theme park’s primary tourism market catchment area.

Any increase in attendance levels would have a direct and positive effect on the financial feasibility of the project, and the likelihood of a significant escalation in attendance has been factored into the design and operational plan. To this end a corroborative report was commissioned to review the market potential of the project. This report – entitled *A Review of the Market Potential for a Marine Park and Waterworld at Durban’s Point* – proposes that an additional attendance level of some 240 000 paying visitors per annum could be realistically expected at the theme park (refer to 4.3.8 above).

8.2 Market research

In addition to the abovementioned study, and in order to more accurately gauge market response to the project, a Durban-based market research company, TH Nyasulu & Associates (THN&A) was commissioned to undertake market testing analyses. The objectives of this assessment were to:

- Gauge the demand that can be anticipated on opening of the project;
- Confirm the target market profile;
- Identify any product gaps (between supply and demand);
- Determine market sensitivity in terms of admission price(s);
- Determine whether the park (as conceptualised) would become a ‘must-see-when-in-Durban’ project or a ‘must-visit-Durban-to-see’ category project.
Direct interviews were conducted using a structured questionnaire. Each interview lasted approximately 10 minutes and trained field workers conducted the surveys. The survey was undertaken during the December 2000 and January 2001 holiday season. The interview sample comprised 394 respondents of which 64% were white and 36% were African. The gender split (percentage) was 53:47 (male to female) and the geographic split was 52% (Gauteng), 31% (KwaZulu-Natal) and 17% (Free State).

The THN&A report is appended in *Volume 3 – Supporting Documents* and contains details regarding the information gathered from the respondents through the survey. The conclusions drawn from the market research study include:

- Regular visitors to Durban are bored and/or tired of the existing entertainment product mix;
- The respondents reacted favourably to the concepts presented reflecting the new theme park;
- Fun rides, animal exhibits and water-based activities are the most sought after forms of entertainment and recreation in a theme park;
- Retail outlets, craft markets and museum exhibits are also in demand;
- The respondents demonstrated a high propensity to visit a theme park as presented;
- Price sensitivity is considered to lie between R60 and R80 per person for a single entry admission to either oceanarium or water park;

The market research reflects a clear correlation between the component proposals for the new park and market demand. More importantly, it corroborates the market penetration assumptions and projections as determined by ERA and suggests clearly that the target markets will attend the park in the numbers projected by ERA, as revised by Nyasulu and McCarthy.
8.3 Imagery and Branding

The project team determined the need for a striking and durable name and graphic imagery for the project. A brief was prepared in this regard and was issued to two Durban-based design agencies. The agencies were invited to participate in a competitive pitch and to present their ideas regarding prospective names and a corporate identity for the project.

After receiving both presentations, the project team elected to accept the naming and design concepts submitted by O’Donoghue & Associates. The conceptual background and rationale for the choice of name and graphic device are explained in detail in the submission entitled Corporate Identity Proposal, prepared by O’Donoghue & Associates (ODA) and appended in Volume 3 – Supporting Documents.

Key brand values determined by ODA, which need to be incorporated into the identity and communications output of the project, were:

- Excitement and adventure
- Intrigue and mystery
- Celebration of local culture, history and natural resources
- Professionalism (as reflected in scale of project and importance of marine research)
- Uniqueness (this particular attraction must be unique to Durban)

In terms of the creative rationale behind the naming and graphic design proposals, ODA note that in African folklore and religious practices, the sea commands great respect. The sea is where the secrets of the earth’s creator are kept, from where the Sun mystically rises each day, and is a living entity due to the ebb and flow of the tides. The sea is also integral to certain religious practices and is used as a medium to cleanse, purge and baptise initiates.

Large sea fish (‘inhlanzi enkulu’) are treated with respect because of their connection with the oceans, but it is the shark that has garnered the most respect as being representative and symbolic of the great King Shaka Zulu. The physical location of the park and its overall design also provides direct graphic image connections with the sea and ocean life. The project is bounded by water on three sides and the notion of ‘island’ was therefore incorporated into the design imagery.

The name proposed for the project is uShaka Island.

The term ‘ushaka’ is used semantically and phonetically in Zulu to depict these large marine creatures, and there is a direct and very obvious opportunity to link the naming with King Shaka Zulu, a historical figure recognised worldwide. The potential for fantasy and/or legend is incorporated in the ‘island’ component of the name. Other attributes of this proposed name/logo are:

- It is easily pronounceable
- It is unique to Durban and KwaZulu-Natal and cannot be replicated anywhere else
- It exudes fun and excitement through the font style
- It has easy recall
- It integrates easily with KwaZulu-Natal and Durban tourism marketing campaigns
- It is recognisable and will hold appeal across the full spectrum of the target market segments
- It removes any reference to the Point, which might otherwise have negative connotations
- The project becomes a defined geographical entity and destination in its own right (as if it is an island)
- The imagery allows for the development of a host of subordinate brands and communications themes

The imagery is new, fresh and unique to Durban. The name and design proposals were presented to the international design team (which has a wealth on experience with theme park developments in the USA and abroad) and the reaction was very positive and supportive. A request has been submitted to His Majesty King Goodwill Zwelithini to secure Royal approval for the use of the uShaka terminology, as directed by Royal Household protocols.
8.4 Marketing Strategy

The theme park’s management team – and its marketing division in particular – will develop an appropriate short- medium- and longer-term marketing strategy. This exercise will be undertaken in collaboration with professional marketing, advertising and communications resources and will also involve consultation with Durban Africa, Tourism KwaZulu-Natal and SATOUR.

The park’s core markets are the primary and secondary residential markets, and the primary (domestic) and secondary (international) tourism markets. These four sectors will be targeted and addressed in terms of an overall yet segmented marketing campaign.

The primary marketing objective will be to grow paying visitor levels to 1.4m per annum in Year 1 and to sustain and grow this base level attendance year-on-year in terms of an agreed target escalation. To realise this objective, the park will need to enjoy an outstanding profile in the local, regional and national marketplaces, and should be aggressively marketed to the in-bound international tourist operator chain.

The theme park’s strategy will be to achieve a position as Durban’s ‘must see’ destination that offers a sufficiently dynamic mix of products and experiences to encourage repetitive visits. Aspects of the strategy will include:

- Positioning the park as an affordable, fun family destination that is clean, safe, secure and constantly entertaining;
- Drawing consumer attention to the optional experiences (oceanarium, water park and Village Walk) and optional costs of attendance by area or through discounts, special packages and other incentives;
- Promoting the staged events (dolphin shows and seal shows) as anchor calendar attractions;
- Promoting the Village Walk as a self-contained dining, shopping and entertainment destination (a variety of options);
- Promoting the linkages with the Beachfront and the entertainment lifestyle afforded by this proximity and the ocean aspects;
- Promoting the educational aspects of the marine park;
- Communicating ORI’s research achievements to draw national and international attention and to reflect the more serious side to the project;
- Promoting linkages with the beach through events and beach-based activities;
- Marketing the event venue to the corporate market for product launches, conference breakaways and banquets, as well as pre- and post-convention functions for ICC Durban conventions;
Promoting a park loyalty programme through the creation of a club membership base, a newsletter and a website, which programme offers members discounts and other incentives;

Targeting the youth/scholar market as a means of attracting other family members;

Promote the park’s image as preferred choice to other forms of entertainment (casinos, cinema, shopping malls etc.)

There are endless opportunities to promote the park to the different audience segments in order to ensure that the paid entry target in Year 1 reaches and, preferably, exceeds 1.4m visitors. Media that will be used in the marketing plan will include:

- **Television**: documentaries, news broadcasts and paid advertising;
- **Radio**: news broadcasts, promotions on-site, paid advertising and listener competitions;
- **Print media** – Press: news features, editorials, lifestyle section features, reader competitions, event news and paid advertising, celebrity endorsements;
- **Print media** – Journals and magazines: news features, calendar highlights, lifestyle editorials, fashion shoots, ORI research features; event news and paid advertising, celebrity endorsements, inserts and special magazine promotions (such as Sawubona, Getaway and others);
- **Below-the-line**: flyers, posters, postcards, promotional billboards at key consumer and tourism points (airport, lifestyle and travel shows), exhibitions and demonstrations at shopping centres, schools presentations, street signage and hoardings, direct mail campaigns, flags, bunting and visible balloons on-site;
- **E-marketing**: dedicated website and linkages on other related sites, email campaigns;
- **Leverage**: sponsors’ campaigns, joint promotions with Durban Africa, TKZN and others, particularly attendance at national and international travel and trade shows.

It is envisaged that approximately 10% of the project’s gross annual revenue (equating to some R7m per annum) will be spent directly on marketing and communications campaigns.

The park’s marketing director and marketing team will have a specific goal-directed and performance-measured mandate to create awareness of the project among the target audiences, convince these audiences of the benefits and attributes to be found in a visit, monitor customer perceptions and adjust the marketing effort to ensure repeat visitations. Durban has an active VFR (visiting friends and relatives) tourist market and a primary objective of the marketing campaign will be to build awareness and loyalty amongst locals.
The entire campaign will be coordinated as a brand building exercise with a view to *uShaka Island* becoming as recognisable as a branded destination as, for example, Sun City or the V&A Waterfront. It is quite realistic to consider the *uShaka Island* brand becoming synonymous with the Point precinct and usurping the term ‘Point’ as a generic for the entire area one enters on passing through the ‘gates’ at the intersection of Bell Street and Point Road. Just as Disneyland has become a ‘precinct’ in its own right, and just as it is a stand-alone destination, so too could *uShaka Island* become a recognised place to visit, shop, be entertained and enjoy the many leisure amenities.

The *uShaka Island* brand is very strong and through appropriate brand development in conjunction with Durban Africa and TKZN, the entire precinct could take on a legendary status as a world-class and self-contained theme park experience.

### 8.5 Marketing Focus - Summary

By way of summary, the intended target markets, sub-sets, focus and media options are provided as follows:

<table>
<thead>
<tr>
<th>Target Markets</th>
<th>Sub-sets</th>
<th>Marketing Focus</th>
<th>Media options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Residential</strong></td>
<td>Local Durban residents</td>
<td>Safe, secure</td>
<td>Press</td>
</tr>
<tr>
<td></td>
<td>Corporate sector</td>
<td>Affordable</td>
<td>Radio</td>
</tr>
<tr>
<td></td>
<td>Schools groups</td>
<td>Easy to access</td>
<td>Outdoor</td>
</tr>
<tr>
<td></td>
<td>Event participants</td>
<td>Dining options</td>
<td>Direct mail</td>
</tr>
<tr>
<td></td>
<td>Clubs and associations</td>
<td>Shopping options</td>
<td>Flyers</td>
</tr>
<tr>
<td></td>
<td>Functions market</td>
<td>Educational</td>
<td>Promotions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Worth repeat visits</td>
<td>Competitions</td>
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<tr>
<td></td>
<td></td>
<td>Convenience</td>
<td>Endorsements</td>
</tr>
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<td></td>
<td></td>
<td>Outdoor lifestyle appeal</td>
<td>Schools</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Events</td>
<td>Corporate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Take family</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Beach linkages</td>
<td></td>
</tr>
<tr>
<td><strong>Secondary Residential</strong></td>
<td>Provincial visitors</td>
<td>Unique aquarium</td>
<td>Press</td>
</tr>
<tr>
<td></td>
<td>Non-Durban corporate</td>
<td>Live shows</td>
<td>Radio</td>
</tr>
<tr>
<td></td>
<td>Schools tours</td>
<td>Safe, secure</td>
<td>Television</td>
</tr>
<tr>
<td></td>
<td>Event participants</td>
<td>Affordable</td>
<td>Schools</td>
</tr>
<tr>
<td></td>
<td>Clubs and associations</td>
<td>Dining options</td>
<td>Corporate</td>
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<td></td>
<td>Shopping options</td>
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<td></td>
<td></td>
<td>Educational</td>
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<tr>
<td></td>
<td></td>
<td>Worth the drive</td>
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<td></td>
<td>Must see</td>
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<tr>
<td></td>
<td></td>
<td>Outdoor lifestyle appeal</td>
<td></td>
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<td></td>
<td>Events</td>
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<td></td>
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<td>Take family</td>
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<td></td>
<td></td>
<td>Beach linkages</td>
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<tr>
<td>Domestic Tourists</td>
<td>Visitors from</td>
<td>Unique aquarium</td>
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<td>------------------------</td>
<td>---------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
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<tr>
<td></td>
<td>- Gauteng</td>
<td>Live shows</td>
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<td>- Free State</td>
<td>Safe, secure</td>
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<td></td>
<td>- Other</td>
<td>Affordable</td>
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<td></td>
<td>Conventioneers</td>
<td>Dining options</td>
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<td></td>
<td>Incentive travel</td>
<td>Shopping options</td>
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<td></td>
<td>Visiting businessmen</td>
<td>Educational</td>
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| International Tourists | Foreign tourists                                        | Unique aquarium                                                                 |
|                       | Tour groups                                             | Must see in Durban                                                              |
|                       | Conventioneers                                          | Events venue                                                                   |
|                       | Business delegations                                    | Cultural experience                                                            |
|                       |                                                         | Lifestyle experience                                                            |
|                       |                                                         | **Tour operators**                                                              |
|                       |                                                         | **Durban Africa**                                                               |
|                       |                                                         | **TKZN**                                                                        |
|                       |                                                         | **Hotels**                                                                      |
|                       |                                                         | **In-flight journals**                                                          |
9. EMPOWERMENT PLAN

9.1 Introduction

The principles governing the Empowerment Plan for the Point marine theme park are embodied in a document entitled *Empowerment Charter (October 2000)*, which is appended in *Volume 3 – Supporting Documents*. The focus of the plan is on three components of the project:

- Construction
- Operations
- Human resources

The outcome of the Empowerment Plan addresses:

- Job sustainability and job creation
- Skills transfer
- Skills training
- Capacity building
- Black economic empowerment
- Local economic empowerment

The process of monitoring the Empowerment Plan addresses both the quantitative and qualitative aspects of empowerment.

Definitions used in the plan are those drawn from the Department of Public Works protocols and also include definitions of:

- Temporary and permanent jobs
- Local enterprise located within the Durban Unicity boundaries
- Priority enterprise (those with majority ownership by Black African persons)
- Targeted groups (PDI groups with Black Africans as the PPG)
- Empowerment Review Panel (Independent Council appointed panel)
- Empowerment Groups (responsible for directing and implementing the plan)
- Youth (between 18 to 34 years)
- Disabled persons (temporary and/or permanent physical disabilities)

9.2 Empowerment Targets and Opportunities

No less than one third of the total project expenditure on both the capital and operations costs shall be allocated to the Targeted Group within the theme park Empowerment Plan. The Empowerment Review Panel may, on advice from the Empowerment Group, consider expenditure exclusions (e.g. imported goods) from consideration in terms of this target.

It is anticipated that empowerment opportunities that are consistent with the plan are likely to be generated in the following key areas:
Equity participation within envisaged public-private partnerships;

Appointment of Advisors and Professional Service Providers for the construction phases;

Selection of principal contractors and sub-contractors to procure construction contracts;

Selection and appointment of permanent and temporary staff for the operational divisions (marine park, water park, Village Walk) within the envisaged scheme;

Provision of bursaries, skills development and training programmes for operational staff;

Outsourcing support service operations;

Procuring of goods from suppliers.

The focus of the plan is on establishing sustainable capacity enhancement for appointed operational entities, rather than ‘once off’ capacity enhancement to undertake the project tasks. Joint ventures and associations will be given preference in order to attain the required resource levels.

9.3 Implementation of the Empowerment Plan

The Empowerment Group, comprising the theme park executive team, Council representatives, appointed Professional Service Providers and others would be responsible for conceiving, implementing, monitoring and reporting progress towards the plan. This group would have access to all functional areas of the project and would report to the theme park executive on progress and milestones.

The Empowerment Review Panel appointed by Council is to provide an independent frame of reference to:

- Review and approve policy for the plan;

- Receive quarterly progress/status reports from the Empowerment Group on the implementation of the plan;

- Guide and advise the Empowerment Group to redirect, amend or supplement the plan through appropriate amendments to policy and procedure;

- Submit independent reports to the theme park stakeholder group in the implementation of the plan;

- Remain constituted until the issuing of the Final Certificate that concludes the construction component of the project; and

- Reconfigure the panel or authorise another institutional structure to monitor ongoing operations to ensure compliance with the empowerment objectives.
It is envisaged that the Empowerment Plan would be aligned with and participate in state initiatives including tourism projects, job creation projects, skills training programmes and the national and provincial poverty alleviation initiatives. The extent to which the Empowerment Plan conforms with and is able to be aligned with these state initiatives will need to be determined in the context of the national empowerment framework prior to being considered for implementation.

The City of Durban’s Procurement Division has a database of SMME and Affirmable Business Enterprises (ABE) and other suppliers and contractors previously engaged on city contracts. It is proposed that this database be expanded to include local enterprises. The information supplied by these parties is to be audited and validated prior to such information being issued to tendering or contracting parties for utilisation in their respective tenders and/or contracts.

Alternative tender procurement methods (e.g. Prime Contractor or Multiple Procurement Contracts) with the associated risks and opportunities are to be assessed at the developmental stage of the project prior to reaching finality on the preferred method for procuring construction contracts.

Tendering contractors will be required to submit details in terms of a ‘Commercial Equity Questionnaire’ in order to:

- Define and score the respective PDI commercial equity (directorships, management, labour force, subcontractors, staff training, job creation programmes and other facets of the business);

- Utilise the score to calculate the monetary value of empowerment in each awarded contract;

- Monitor, evaluate and adjust the award and/or allocation of work in order to achieve the empowerment targets;

- Implement a fully computerised database of information pertaining to the above in order to generate accurate status reports during the project.

Targets will also be set in the plan for the percentage of ‘youth’ (18 to 34 years) participants in the project, the percentage of women engaged in the project and the percentage of disabled persons to be involved in the project. All tender documentation will reflect these targets to enable the inclusion of this information in the tender response documentation.
Other aspects of the plan include:

- Establishment of remote job registration centres to enable labour to be recruited from surrounding communities;
- Establishment of an ‘Entrepreneurial Skills Development Programme’ in order to offer capacity enhancement and business skills to empowerment entities;
- The creation of an ‘enabling and non-adversarial’ environment within which to implement the Empowerment Plan, with the incorporation of appropriate checks and balances into all procedures;
- Application of penalties for non-compliance;
- Awarding of powers of intervention to the Empowerment Group to ensure that the aims and objectives of the plan are being met;
- Preparation and submission of monthly and quarterly status reports, to include progress reporting, recommendations and motivations for the improvement of the plan, and ‘lesson’s learnt’.

9.4 Costs and Funding

It should be noted that the costs of implementing the Empowerment Plan have not been included in the R657m capital cost, and would need to be considered separately. Costs include:

- Empowerment Review Panel
- Procurement division: database expansion
- Preferential procurement budget
- Remote job registration centres
- Entrepreneurial skills development programme
- Professional fees for implementing the plan

Given the approach towards coordinating and integrating the plan with other state initiatives, it is conceivable that funds to meet these costs may be sourced from various state structures such as (for example) the Department of Labour, Department of Environmental Affairs and Tourism, Department of Trade and Industry and other national development agencies.

It is also envisaged that Council will expand its procurement division database to supplement that prepared by the project team, and that the proposed Entrepreneurial Skills Development Programme would be integrated with the Council’s Thekweni Business Development Centre.
9.5 Reference Documents

The following documentation would be used to guide the formulation and implementation of the Empowerment Plan:

- Preferential Procurement Policy Framework Act 5 of 2000
- KZN Procurement Bill 2001
- Durban Metro Targeted Procurement Policy
- Department of Public Works Procurement Policy

The final policy and procedures document for the theme park Empowerment Plan will take cognisance of and incorporate parts and provisions of the reference documentation where this is considered appropriate.

10. DEVELOPMENT PROGRAMME

The development programme envisaged for the project is provided as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone</th>
<th>End Dates</th>
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<tbody>
<tr>
<td>1</td>
<td>Approval from Council</td>
<td>Mid-April 2001</td>
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<tr>
<td>2</td>
<td>Finalise other equity and borrowing agreements</td>
<td>30 April 2001</td>
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<td>Finalise agreements with Renong/Rocpoint</td>
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<td>3</td>
<td>Appoint Final Design Team</td>
<td>31 May 2001</td>
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<tr>
<td>4</td>
<td>Design, Development and Construction documentation</td>
<td>June to December 2001</td>
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<td></td>
<td>finalised</td>
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<tr>
<td>5</td>
<td>Start construction</td>
<td>31 January 2002</td>
</tr>
<tr>
<td>6</td>
<td>Complete construction, stocking and staff training</td>
<td>August to October 2003</td>
</tr>
<tr>
<td>7</td>
<td><strong>UShaka Island</strong> opens</td>
<td>31 October 2003</td>
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The development programme envisages a 22-month period during which construction, stocking of fish and other animals and plants, staff training and pre-opening operations would take place. The project would likely open during **October 2003**, in time for the annual year-end tourism high season.
11. FINDINGS AND CONCLUSIONS

The feasibility study undertaken by the Moreland-led team, and augmented and supported by credible local, national and international expertise, clearly demonstrates the viability of locating a marine-based theme park at the designated site in the Point precinct.

The principal findings of the study are:

- A theme park of the proposed scale and concept will require R657m in capital investment;

- The proposed scale of the project is considered as the minimum intervention required in the context of the downgraded Point precinct environment;

- This quantum of investment is considered appropriate for the creation of a landmark ‘must see’ attraction in the Point, one that is able to fully accommodate SAAMBR and its research and educational activities, and which offers visitors a world-class mix of entertainment options;

- The target market required to sustain a project of this scale, concept and entertainment mix is available and research found that the level of penetration of the catchment market required to achieve break-even is not excessive and would be readily achievable;

- The project will attract approximately 1.4m paying visitors in its first year of operation;

- The project is expected to generate a pre-tax operating profit of R5.55m in Year 1 of operation;

- The project will have an appropriate debt-to-equity ratio of 30:70 and debt would be redeemed in full by Year 10 of operation: Council would not receive any direct financial return from the project until at least Year 10 of operation;

- The planning, construction and development of the theme park will create opportunities for the empowerment of previously disadvantaged professionals and construction industry participants, as well as significant new opportunities in tourism;

- The project will create 18 000 new temporary jobs in Durban through construction, and 973 new permanent jobs through on-going operations; and

- There are no physical, natural or other impediments to the construction and development of the theme park and the decision to proceed is entirely financial.
In summary, the feasibility study found that the construction and development of a marine-based theme park at the Point is a viable proposition given a particular funding structure and given the integration of this project into the overall land planning and development of the Point precinct.

The specific conclusions that can be drawn from the study process are:

- The project represents a crucial economic intervention for Durban as a tourist attraction and as an economic catalyst for development in the Point precinct;
- The theme park would ensure the future survival of SAAMBR and its marine conservation, research and educational activities in KwaZulu-Natal;
- Council would be required to contribute R357m towards the equity funding of the project;
- Equity partners would be approached to provide R100m of the capital funding;
- The theme park’s potential longer-term (ten year) operational earnings before income tax, depreciation and amortisation (EDITDA) are significant and would enable the project to be funded in part from borrowings and to redeem this debt funding within a ten-year timeframe;
- An amount of R200m would need to be borrowed from commercial banks to meet the balance of the capital funding requirements;
- The project could commence in 2001 and open for trading within 22 months in October 2003;
- The project has the potential to become the landmark attraction in Durban and will be an important catalyst for local, national and international investor confidence in the city; and
- The overall benefits of the development will be limited if the project is undertaken in isolation to the broader macro planning and development of the Point precinct and Council should not consider proceeding with the theme park unless this project forms part of an agreed overall land plan for the Point.

In summary, the conclusions reached by the feasibility study team strongly suggest that this theme park project has the potential to significantly improve Durban’s profile as a tourist destination, and that it is a viable proposition given a scenario wherein Council is prepared to commit R357m to equity funding and, simultaneously, agree to steps leading to the macro-development of the Point precinct.
12. RECOMMENDATIONS

The Moreland-led Feasibility Study team recommends to Council that:

1. The project concepts and the feasibility study contained in Volume 1 to Volume 6 should be accepted and endorsed by Council as an authoritative analysis of the development opportunity for a marine theme park in the Point;

2. Council should not consider proceeding with the planning, construction or development of the marine theme park in isolation to a proper and thorough commitment to the planning and development of the Point precinct;

3. Council agrees to commit a sum of R357m to the project as equity funding;

4. Council mandates Moreland to work in close collaboration with senior Municipal executives in approaching the Industrial Development Corporation (IDC) and the Development Bank of Southern Africa (DBSA) to secure R100m in total equity funding from these two institutions;

5. Council mandates Moreland to work in close collaboration with senior Municipal executives in approaching selected commercial banks in South Africa to secure R200m in loan finance at competitive terms and rate of interest;

6. Council mandates Moreland to work in close collaboration with senior Municipal executives to finalise the Draft Heads of Agreement with Rocpoint (Pty) Limited and/or Renong Berhad in order that the proposed joint venture between Council and that landowner can be finalised as a priority; and

7. Council agrees to the terms and conditions of its funding contribution as required in terms of the Draft Heads of Agreement to be entered into between Council and Rocpoint/Renong.

C P BRINK
PROJECT DIRECTOR
MARINE THEME PARK
MORELAND DEVELOPMENTS (PTY) LIMITED
27 MARCH 2001
Dear Sirs

OWNERSHIP OF RECLAIMED LAND IN THE DURBAN POINT DEVELOPMENT: REQUEST FOR ADVICE

I confirm that in previous advice from my offices, we advised that all of the seashore which fell in the Durban Point Development area fell under the exclusive jurisdiction of Portnet.

To recap, section 2 of the Seashore Act, Act 21 of 1935, vests the ownership of the seashore and the sea which was not alienated before the coming into operation of the Act, in the State President. A number of constraints are imposed on the State President in that Act insofar as they relate to the letting or alienation of the sea or seashore. However, by virtue of the provisions of section 13(b) of the Act, portions of the sea or seashore within a port or harbour are dealt with differently.

Section 13(b) states that-

"Nothing in this Act shall affect- ......(b) any rights or powers conferred upon the Administration by or under any law relating to ports and harbours in respect of any portion of the sea-shore or the sea and in the event of any conflict between the provisions of this Act and any such law, the rights and powers of the Administration shall be determined by the provisions of such law, and not by the provisions of this Act;"

Section 13(b) of the Act was introduced in 1959. The Act, as originally enacted in 1935, had no reference to the “Administration”. That definition was introduced in 1959, and meant the “Railways and Harbours Administration of the Union”. The effect of the new subsection 13(b) was therefore to make it explicitly clear that the sea and seashore within ports and harbours was to be governed by the laws applicable to the Administration, and not by the State President under the Seashore Act.
[Section 13(b) was also amended by the 1959 Act by the deletion of the words “of the bed of the sea within the three miles limit” but this is of no relevance because the amending Act also extended the original definition of “sea” to include the sea bed.]

To understand what is the successor to the “Administration”, one must then follow the succession of Acts dealing with the railways and harbours administration. The Railways and Harbours Control and Management Act, No 70 of 1957 was the successor to a line of previous Acts going back to 1916, the purpose of which was to deal with the control and management of these facilities and enterprises. Section 2(4) of that Act empowered the Administration to (inter alia) “... control, manage and superintend all harbours, docks or other similar works within the Administration’s jurisdiction ... “. Among the harbours referred to in the Second Schedule to the 1957 Act over which the Administration had jurisdiction was Durban Harbour. The 1957 Act was superseded by the South African Transport Services Act No 65 of 1981 and the harbours over which the Administration had jurisdiction in terms of the First Schedule to that Act again included Durban. The Durban Harbour is defined by a set of geographic co-ordinates, which co-ordinates clearly include the present North and South Piers and the sea and seashore in the proposed small craft harbour area.

The 1981 Act furthermore defined “South African Transport Services’ jurisdiction” as meaning inter alia “all immovable property ....and in particular.... includes the areas defined in the First Schedule to this Act...”.

The Legal Succession to the South African Transport Services Act, 1989, commenced on 6 October of that year. The purpose of the Act was to transfer most of the business of the Administration to a Company, save for that portion of the business which was transferred to the South African Rail Commuter Corporation Limited (“the Corporation”). Section 3(2) dealt with the transfer of the business to the Company and section 3(3) provided that:

“Arising out of the transfer of the commercial enterprise in terms of sub-section (2) and without in any way derogating from the generality of the preceding provision -

(a) the Company shall become the owner of all movable and immovable property ..... that immediately prior to [the date of succession] –

(i) was registered in the asset registers of the South African Transport Services; or

(ii) fell under the control and jurisdiction of the South African Transport Services .....”

It follows that as from the date of succession in terms of section 3(1) of the 1989 Act such portion of the sea (including the sea bed) as constitutes the harbours referred to in the First Schedule to the Act, including Durban, is owned by the Company. This transfer of ownership to the Company makes sense in the light of the special position of the Administration vis-a-vis harbours referred to above. Prima facie, therefore, it is the Company (trading, we assume, as Portnet) which has the right to agree to any sale or lease of the land owned by the Company in terms of section 3(3).
Although the Company is the owner of the sea and seashore within Durban Harbour, it must be remembered that, from a practical point of view, the State is still the sole shareholder in the Company and accordingly its operation must fall within the competence of some Minister at either national or provincial level. However, no direct permission of any Minister is required for its sale or letting or other encumbrance.

I am therefore satisfied that Portnet has the exclusive power to alienate, let or otherwise encumber the sea and seashore within the Durban Harbour area.

What will however also become relevant to the small craft harbour development is the power to alienate, let or otherwise encumber reclaimed land which after its reclamation is above the high-water mark. In this regard section 5(2) of the Seashore Act states very specifically that the Minister may cause any land in the sea or on the sea-shore to be reclaimed and that any such reclaimed land shall be state-owned land. Once reclaimed, the land falls outside any control that would otherwise be exercised under the Seashore Act, and the reclaimed land becomes the same as any other state-owned land within a harbour. There is no doubt that Portnet has the exclusive control over the letting, sale or other encumbrance of such land.

However, having resolved the question of the ownership of the land, one must of course observe that Portnet may be under certain constraints in regard to the manner in which it goes about the sale or other alienation of that land. I have not investigated the procurement, tender, or other requirements imposed upon Portnet either internally or by national legislation. I am quite sure that the State Law Advisor will be conversant with any such constraints, but I would be surprised to find that they restricted a sale of the land, or any portion of it, to Durban Point Development Company by way of private treaty. I do not understand my brief to include that enquiry, but should you wish me to go into it in due course, I would be happy to do so.

Yours faithfully

NORMAN BRAUTESETH
NORMAN BRAUTESETH & ASSOCIATES