



# Project report

## Socio Economic Impact Study

Roslyn Extension 14 Industrial Park  
Logistics & Light Industrial  
Assembly Park

**Garnett-Adams**

***Management Consulting (PTY) LTD***

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# Content

- Methodology and data
- Temporary and permanent job and GDP creation
- Regional impact
- Direct conclusion
- Analysis and Recommendations

# Method of evaluating economic impact

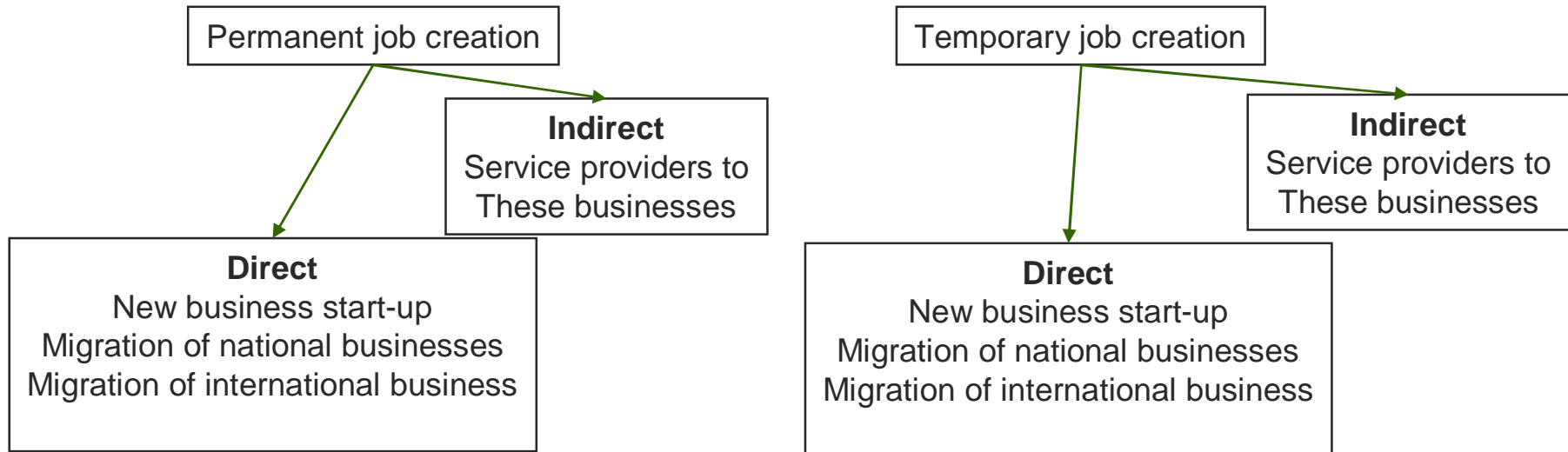
- Traditional method – economic growth
  - GDP or GNP
    - Size and quality of the labour force
    - Quantity and quality of capital
    - Technology
    - The availability of natural resources
  - Job creation
- This is applicable for developed economies
- Alternative method – economic development
  - **Contribution to tax.** If a company generate taxes it contributes to government ability to stimulate the economy and therefore growth;
  - **Contribution to owners or shareholders income.** An increase in their income can either be reinvested in the company for growth or increase the spending or buying power of the population;
  - **Contribution to employee's income** (pay roll). An increase in employees income will decrease their reliance on government for assistance on pensions and medical and increase their spending power;
  - **Contribution to company growth in assets and capital.** An increase in retained earnings will lower the company's risk to market changes, increase their capability to obtain investment, increase their capacity to expand, improve their products etc.

Economic growth is the process of increase in GDP in developed countries. In less developed countries the term economic development is used. It is a process that leads to an increase in real potential output per head. Economic development implies a basic change in the whole society and economic set-up.

## Economic and analysis data

- Okuns' rule as explained by Doornbusch and Fischer , (1992:327) state that for every one percent decrease in unemployment the GDP will increase by 2.5%.
- The unemployment rates in the provinces according to Labour Force Survey 2006) were:
  - Gauteng 23.3%
- Gauteng population total 9 526 200 (2006 Mid year Population Estimate)
- Analysis is based on total Gauteng and not only the direct area influenced by the park
- Potential client data was based on current market requirements
- Analysis was based on actual Gauteng Supplier Park data

# Methodology: Opportunity analysis

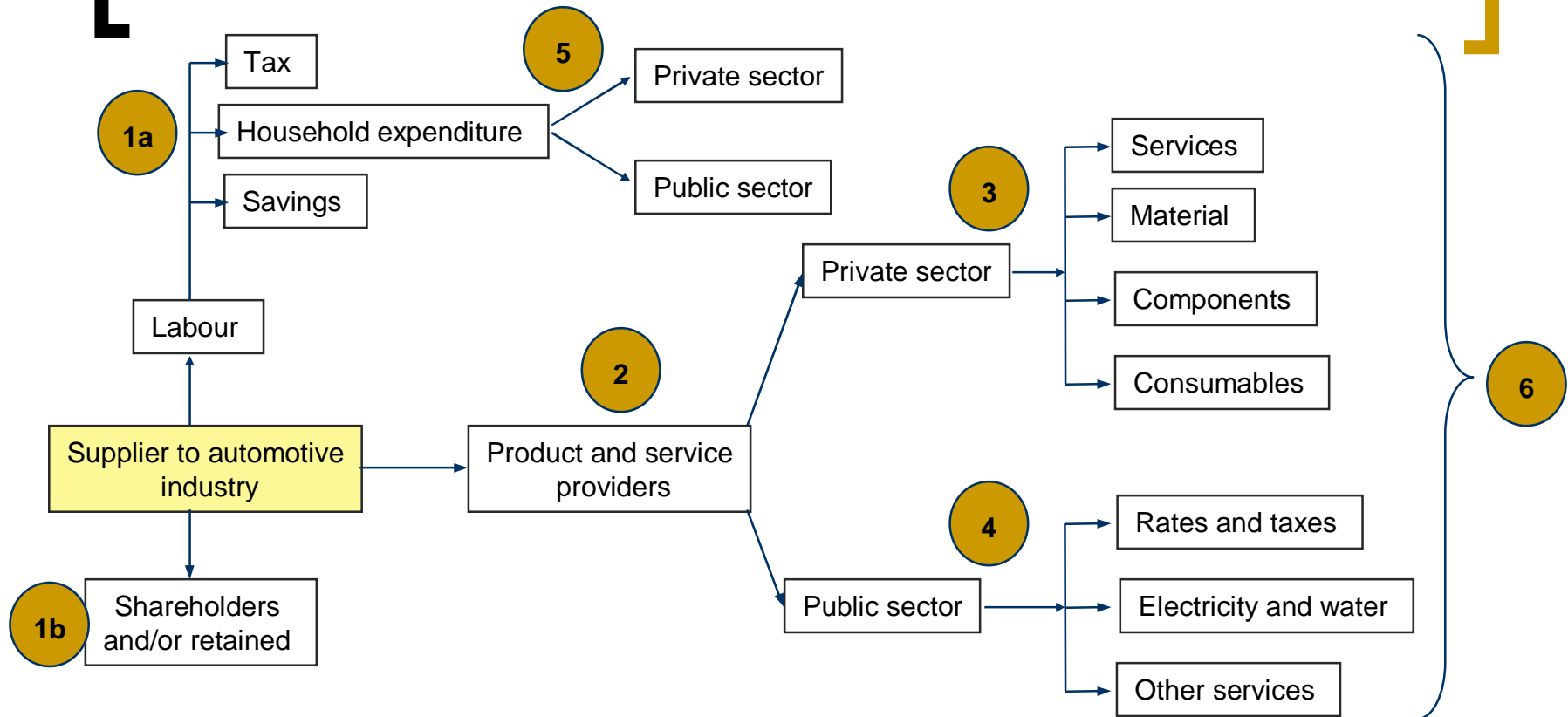


*Permanent direct jobs will be created by new suppliers that move to the Nelson Mandela Metropolitan Municipality, supported by indirect job creation from service and product suppliers*

*Temporary jobs will be created in developing and setting up the logistic and light industrial park. This include consulting, building and project related jobs*

*Only newly created jobs, that would not have been created due to normal growth and development can be seen as job creation due to the investment*

# Methodology: Economic impact distribution map

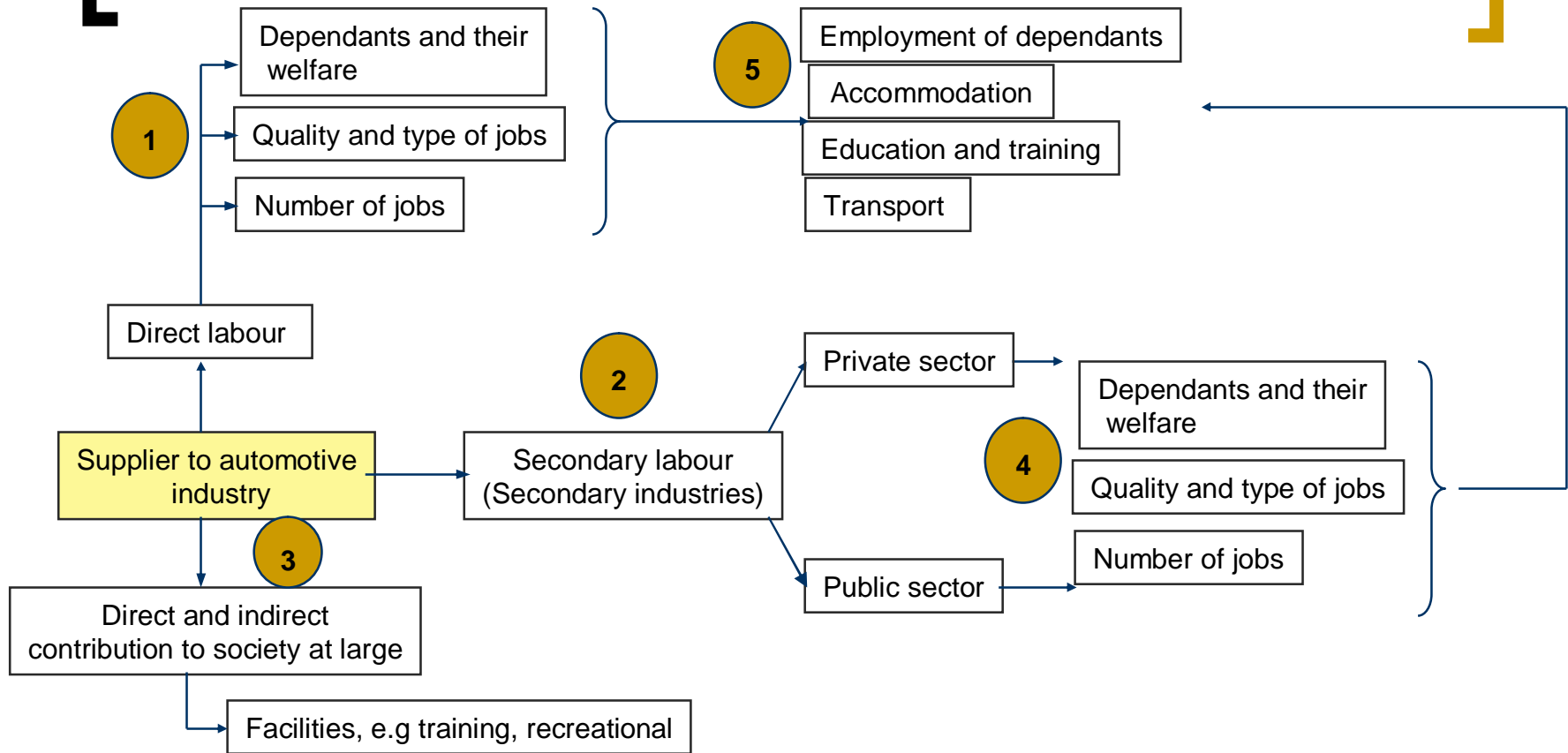


*1a, 1b and 5 are induced effects due to change in economic activity due to change in household spending*

*2,3, and 4 are direct economic impacts that can be directly measured*

*6 represents the indirect effects, i.e effects due to additional rounds of re-spending. This can be estimated using multipliers, which in this case are probably unknown*

# Methodology: Social impact distribution map



*1,2, and 3 are direct impacts that will be measured indirectly due to sensitivity of study  
 4 are indirect impacts which can only be estimated (probably with difficulty)  
 5 are indirectly impacts that can only be estimated (probably with difficulty)*

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## Economic impact assessment

### Direct and indirect temporary job creation -Traditional analysis

- Direct and indirect job creation
  - Rosslyn Supplier Park and the NMBLP was used as a bench mark to calculate direct and indirect job creation during the development and building phase
  - For every R34 500 spend one job was created per month or for every R 414 000 spend one job was created per year (Direct and Indirect labour 1 and 2)
  - Two scenarios were analyzed for the new development
    - Scenario 1: Phase one (30Ha) was developed over 3 years
    - Scenario 2: Phase two (balance of development of approximately 20 Ha developed over next 2 years)
  - Job, GDP creation per scenario per year
    - Scenario 1: Temporary 291 jobs and Permanente 2100 jobs, 0.065% GDP contribution in Gauteng
    - Scenario 2: Temporary 194 jobs and Permanente 1400 jobs, 0.042% GDP contribution in Gauteng

***Overall positive Temporary and Permanent result***

## Economic impact assessment Direct and indirect temporary job creation - Alternative analysis

- **Contribution to tax** – positive
  - Higher turn over linked to potential higher profits will lead to higher tax returns for local government
- **Contribution to owners or shareholders income** positive
  - Higher turn over linked to potential higher profits will lead to higher shareholder profit
  - This will only be beneficial if local companies benefit
- **Contribution to employee's income** - positive
  - Current employed will most probably not benefit
  - Unemployed, especially low skilled workers will benefit
- **Contribution to company growth in assets and capital** – positive
  - Companies will invest in new equipment to handle the additional work

*Overall positive Temporary result*

Economic impact assessment based on actual data  
Direct permanent job creation (Alternative analysis)

- **Contribution to tax – positive**
  - Companies should be more profitable if they can realise synergies
- **Contribution to owners or shareholders income positive**
  - Higher profits should be distributed to employees
- **Contribution to employee's income - positive**
  - Higher profits should be distributed to employees
- **Contribution to company growth in assets and capital – positive**
  - Higher profits should be reinvested

*Overall positive long term result if synergies are realized in a park environment, if not no changes will occur*

Economic impact assessment based on actual data  
Indirect permanent job creation (Alternative analysis)

- **Contribution to tax** – minimal
  - Companies will outsource less work due to synergies
- **Contribution to owners or shareholders income**- minimal
  - Companies will outsource less volumes of work due to synergies
  - Less work will result in lower profits
- **Contribution to employee's income** - minimal
  - Companies will use fewer workers due to synergies
  - Fewer people are contracted to do the same work
- **Contribution to company growth in assets and capital** – minimal
  - Companies will outsource less work due to synergies
  - Less equipment is necessary to achieve the same objectives

*Overall minimal long term result if synergies are realized in a park environment if not no changes will occur*

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## Regional socio economic impact based on Rosslyn

- Business development
  - It is important to understand the secondary impact of such developments
    - Rosslyn attracted new international investors
    - Companies in the Supplier Park managed to grow their business at above the SA average growth rate
    - Secondary suppliers move closer to their customers
- Land value
  - Land prices in Rosslyn increased by 200% over 3 years
  - Rental prices increased by 40% over 3 years
  - Less vacant buildings are available
  - Limited vacant land is available
- Per capita income will increase
  - Require higher skilled labour
  - More job opportunities available
- Currently no land is available
  - Development will make new industrial land available
- Opportunity for private investors
  - Rosslyn industrial park do not provide private inventors with the opportunity to buy land

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## Conclusion based on current client data

- The building and infrastructure development will have a positive temporary effect on direct and indirect job creation
- The Park operations (suppliers and service providers) will have a positive effect on *direct GDP* and job creation over the long term.
- The Park operations will have a minimal effect on *indirect GDP* and job creation over the long term due to synergies lowering the need for additional products and services,
  - The effect of new business attracted due to the synergies overshadows the minimal effect on indirect job creation

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## Analysis and Recommendation

- The Park will stimulate important economic development, essential for the area,
- It will ensure jobs and stability by providing a competitive environment
- It will provide companies the opportunity to develop and grow with private capital investment
- It will provide a competitive environment to attract new investments
- The development is stimulated by the already active Rosslyn Supplier Park and synergies exist to strengthen both developments
  - The parks will have a different focus and will not compete
- To stimulate the economy the following four factors need to be positively influenced by the investment
  - Size and quality of the labour force - yes
  - Quantity and quality of capital - yes
  - Technology - yes
  - The availability of natural resources – human capital yes
- It will create much needed industrial land for private investment
  - Not motor industry focused compared to SPDC