Nelson Mandela Bay Metropolitan Municipality
Urban Investment Programme

URBAN INVESTMENT PARTNERSHIP CONFERENCE
27 - 28 AUGUST 2015
NOTES
- Neptune Road Logistics Link to NMBLP
- NFC = Nuclear Fuel Cycle
- Cargo Airport for Development of Aeronautical Cluster
- Thyspunt Upstream Suppliers
- Expansion of Zone 4 for Skills Development
- OCGT = Open Cycle Gas Turbine (2016)
- CCGT = Closed Cycle Gas Turbine
- Spatial Integration with Markman Township
- Automotive Terminal in Zone 2 onto Rail
- Additional OEM in Zone 2
- Logistics Hub for Gauteng Rail Link
- Land-based Aquaculture
- Manganese Terminal Operational
Port of Ngqura – Short Term Layout [2019]
Port of Port Elizabeth – Short Term Layout [2019]
Spatial Economic Relationships

- PE Harbour
- Lower Baakens
- Kings Beach
- CBD

nelson mandela bay MUNICIPALITY
BAYWEST – STRATEGICALLY LOCATED

Planned Western Arterial – Link Road

N2, Western Areas, Baywest

To Uitenhage

To East London

Cape Road

Kragga Kamma Road

Old Seaview Rd

To Seaview

Algoa Bay

CBD

M4

Airport

Summerstrand

William Moffet

To J’Bay
- 1950 km²
- 62% Natural and Conservation Areas
- 117 km Coastline
- 38% Urban / Agricultural
NMBM Integration Zones and Catalytic Projects

**Legend**
- Metro Boundary
- Urban Edge
- National Road (N2)
- Primary Roads
- Metropolitan CBD
- Sub-Metropolitan Nodes
- Urban Hubs
- Integration Zones
- Catalytic Projects

**NMBM CATALYTIC PROJECTS**

1. Mermaid’s Precinct Development.
2. Lower Baakens Valley Precinct.
3. Happy Valley Precinct Development.
5. Ibhayi Township Hub Development.
6. Red Location Township Hub Development.
7. Bloemendal Arterial Road.
9. Zanemvula: Chatty Link Road.
11. Public Transport corridor development - Standford Road.
12. Fairview West Integrated Development.
14. N2 Node development
DEVELOPMENT CLUSTERS

1. CBD, Walmer, Summerstrand Cluster
2. Ibhayi Cluster
3. Motherwell, Wells Estate, Coega Cluster
4. Jachtvlakte, Chatty Cluster
5. N2, Western Areas Cluster
Estimated Potential Yield in Development Clusters

**Predominantly New**
- 29,909 Residential opportunities
- 94,000 m² Business/ Retail
- 315,000 m² Industrial
- 87 Facilities (Education, Institutional, Health care, etc.)

**Urban Edge**
- 25,450 Residential opportunities
- 352,000 m² Business/ Retail
- 387,000 m² Industrial
- 76 Facilities (Education, Institutional, Health care, etc.)

**National Road (N2)**
- 31,623 Residential opportunities
- 7,400 m² Business/ Institutional
- 300,000 m² Waste Park Development
- 9 Facilities (Education, Institutional, Health care, etc.)

**Legend**
- Metro Boundary
- Urban Edge
- National Road (N2)
- Primary Roads
- Metropolitan CBD
- Sub-Metropolitan Nodes
- Development Clusters

### TOTAL ESTIMATED POTENTIAL

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
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<tbody>
<tr>
<td>Residential</td>
<td>129,730 units</td>
</tr>
<tr>
<td>Business</td>
<td>583,400 m²</td>
</tr>
<tr>
<td>Industrial</td>
<td>1,702,000 m²</td>
</tr>
<tr>
<td>Health Care</td>
<td>42 Facilities</td>
</tr>
<tr>
<td>Educational</td>
<td>104 Facilities</td>
</tr>
<tr>
<td>Institutional</td>
<td>217 Facilities</td>
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</table>

**Predominantly New**
- 16,683 Residential units
- 50,000 m² Business/ Retail
- 48 Facilities (Education, Institutional, Health care, etc.)
Moody’s Investor Services – Press Release

Johannesburg, November 10, 2014 –

“Moody’s Investors Service has today downgraded by one notch, the long-term issuer ratings of nine South African regional and local governments (RLG’s) and two government-related entities. Moody’s has assigned stable outlooks on the ratings, except for Mbombela.

Moody’s also affirmed the **long-term issuer rating of Nelson Mandela Bay at A1.za** and **changed its outlook to stable** from negative, and affirmed the long term issuer ratings of Bergrivier Municipality and of SANRAL at Baa3.za/P-3.za and Baa3/P-3 A3.za/P-2.za respectively...

Moody’s downgraded all metropolitan cities’ long-term ratings by one notch, with the exception of Nelson Mandela Bay to reflect the deterioration of South Africa’s credit profile as captured by Moody’s recent downgrade of South Africa’s government bond rating to Baa2 (stable) from Baa1 (negative). The short-term ratings remain unaffected.

The rating affirmation and outlook change reflect Nelson Mandela Bay’s:

1. Lack of **borrowing plans over the next three years**;
2. **Low debt-to-operating revenue**, which is projected to reach 15% in 2016, which is at the lowest level relative to rated metropolitan municipalities;
3. Moody’s expectation for **debt-to-operating revenue to be in line with those of Cape Town and Ekurhuleni in 2014**, while the latter two are projected to moderately increase their debt in the medium term; and
4. The city’s **improvement in its liquidity profile** in 2014, which compares well with those of Cape Town and Ekurhuleni.”
### Moody's Latest Credit Rating

**Outlook:** Stable, NSR Issuer Rating – Dom Curr: A1.za

#### Key Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Net direct and indirect debt/ Operating Revenue (%)</td>
<td>9.2</td>
<td>30.1</td>
<td>32.7</td>
<td>28.4</td>
<td>24.1</td>
</tr>
<tr>
<td>Interest payments/ Operating Revenue (%)</td>
<td>2.0</td>
<td>2.4</td>
<td>3.2</td>
<td>3.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Gross Operating Balance / Operating Revenue (%)</td>
<td>7.9</td>
<td>-9.7</td>
<td>-4.8</td>
<td>1.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Cash Financing Surplus (Requirement) / Total Revenue (%)</td>
<td>-18.7</td>
<td>-21.8</td>
<td>-9.1</td>
<td>11.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Inter-governmental Transfer/ Operating Revenue (%)</td>
<td>20.0</td>
<td>20.7</td>
<td>12.6</td>
<td>18.8</td>
<td>18.0</td>
</tr>
<tr>
<td>Real GDP (% Change) [1]</td>
<td>-1.3</td>
<td>2.2</td>
<td>3.4</td>
<td>2.6</td>
<td>0.0</td>
</tr>
<tr>
<td>GDP per capita as % of National Average</td>
<td>55.6</td>
<td>56.8</td>
<td>59.3</td>
<td>58.9</td>
<td>0.0</td>
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</table>
Moody’s Last credit rating of NMBM - 201411 Cont

Summary Rating Rationale

The A1.za national scale issuer rating (negative outlook) of Nelson Mandela Bay Metropolitan Municipality takes into account the city’s solid financial performance and low and declining debt levels. Continued fiscal consolidation has led to a continuously robust financial performance and a comfortable liquidity position. However, the city’s plan to self-finance its capital programme may put pressure on liquidity. We note positively that this strategy should lead to a sustained decline in the current moderate debt levels over the medium-term rating horizon. The rating is also supported by a relatively large economic base, albeit concentrated on the automotive industry.


National Peer Comparison

Nelson Mandela Bay Metropolitan Municipality is rated at the high end of the range of South African Municipalities, whose ratings span from A1.za to Baa3.za. The city’s relatively good and improving financial position reflects:

1. Debt and debt-service levels that are lower than the median of its national peers and, according to official projections, these levels will further reduce; and

2. Its robust financial performance.
## Cashflow (R million)

<table>
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<tr>
<th></th>
<th>Audited</th>
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<th>Audited</th>
<th>Draft</th>
<th>Estimated</th>
<th>Estimated</th>
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</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents at beginning of period</td>
<td>1 931.0</td>
<td>926.3</td>
<td>671.8</td>
<td>486.0</td>
<td>1 214.9</td>
<td>1 580.8</td>
<td>1 608.1</td>
<td>1 422.9</td>
<td>1 703.1</td>
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<tr>
<td>Add operating receipts</td>
<td>5 182.4</td>
<td>5 313.6</td>
<td>7 332.5</td>
<td>7 634.1</td>
<td>7 204.3</td>
<td>7 527.8</td>
<td>8 979.0</td>
<td>9 067.4</td>
<td>9 845.5</td>
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<tr>
<td>Less operating payments</td>
<td>-3 815.3</td>
<td>-4 301.1</td>
<td>-6 259.2</td>
<td>-5 670.9</td>
<td>-5 490.7</td>
<td>-5 740.3</td>
<td>-7 448.2</td>
<td>-7 086.2</td>
<td>-7 753.3</td>
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<tr>
<td>Less cash used for investing activities</td>
<td>-2 303.8</td>
<td>-2 379.8</td>
<td>-1 640.2</td>
<td>-1 156.9</td>
<td>-1 259.1</td>
<td>-1 661.1</td>
<td>-1 603.0</td>
<td>-1 596.9</td>
<td>-1 591.2</td>
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<tr>
<td>Less cash used for financing activities</td>
<td>-68.0</td>
<td>1 112.8</td>
<td>381.1</td>
<td>-77.4</td>
<td>-88.6</td>
<td>-99.1</td>
<td>-113.0</td>
<td>-104.1</td>
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<tr>
<td>Cash &amp; cash equivalents at end of period</td>
<td>926.3</td>
<td>671.8</td>
<td>486.0</td>
<td>1 214.9</td>
<td>1 580.8</td>
<td>1 608.1</td>
<td>1 422.9</td>
<td>1 703.1</td>
<td>2 110.2</td>
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## Capital expenditure and funding (R m)

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<th>Est</th>
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<tbody>
<tr>
<td>Capital Expenditure</td>
<td>2 825.8</td>
<td>2 351.9</td>
<td>1 517.7</td>
<td>1 126.3</td>
<td>1 195.8</td>
<td>1 575.6</td>
<td>1 560.1</td>
<td>1 612.5</td>
<td>1 597.3</td>
<td>1 644.9</td>
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<tr>
<td>Capital Grants &amp; Transfers</td>
<td>926.6</td>
<td>993.7</td>
<td>501.0</td>
<td>919.2</td>
<td>895.3</td>
<td>1 027.0</td>
<td>897.8</td>
<td>962.1</td>
<td>1 032.5</td>
<td>1 061.5</td>
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<td>Own resources</td>
<td>1 899.20</td>
<td>1 358.20</td>
<td>1 016.70</td>
<td>207.10</td>
<td>300.50</td>
<td>548.60</td>
<td>662.30</td>
<td>650.40</td>
<td>564.80</td>
<td>583.40</td>
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## Budgets and annual financial statements (R m)

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<td>2009/10</td>
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<td>2011/12</td>
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<td>2012/13</td>
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<tr>
<td>2013/14</td>
<td>4 356.0</td>
<td>5 170.4</td>
<td>5 832.0</td>
<td>6 424.4</td>
<td>7 060.3</td>
<td>7 473.9</td>
<td>8 291.3</td>
<td>8 885.4</td>
<td>9 698.4</td>
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<td>2014/15</td>
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<td>2015/16</td>
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<td>2016/17</td>
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<td>2017/18</td>
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### Operating Income Excl GGR

<table>
<thead>
<tr>
<th>Year</th>
<th>-4 225.1</th>
<th>-5 656.4</th>
<th>-6 344.6</th>
<th>-6 981.8</th>
<th>-7 083.7</th>
<th>-7 376.1</th>
<th>-8 687.9</th>
<th>-8 819.8</th>
<th>-9 458.9</th>
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### Operating Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>130.9</th>
<th>-486.0</th>
<th>-512.6</th>
<th>-557.4</th>
<th>-23.4</th>
<th>97.8</th>
<th>-396.6</th>
<th>65.6</th>
<th>239.5</th>
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### True Surplus (Deficit)

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<tr>
<th>Year</th>
<th>926.6</th>
<th>993.7</th>
<th>501.0</th>
<th>919.1</th>
<th>895.3</th>
<th>1 027.0</th>
<th>897.8</th>
<th>962.1</th>
<th>1 032.5</th>
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### Add GGR

<table>
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<tr>
<th>Year</th>
<th>1 057.5</th>
<th>507.7</th>
<th>-11.6</th>
<th>361.7</th>
<th>871.9</th>
<th>1 124.8</th>
<th>501.2</th>
<th>1 027.7</th>
<th>1 272.0</th>
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### Surplus (Deficit)

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<thead>
<tr>
<th>Year</th>
<th>2 825.8</th>
<th>2 351.9</th>
<th>1 517.7</th>
<th>1 126.3</th>
<th>1 195.8</th>
<th>1 575.6</th>
<th>1 560.1</th>
<th>1 612.5</th>
<th>1 597.3</th>
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### Capital Expenditure

<table>
<thead>
<tr>
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* nelson mandela bay MUNICIPALITY*
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</thead>
<tbody>
<tr>
<td>Borrowing to Asset Ratio</td>
<td>3.3%</td>
<td>10.9%</td>
<td>13.2%</td>
<td>12.2%</td>
<td>10.9%</td>
<td>9.5%</td>
<td>8.3%</td>
<td>7.5%</td>
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<tr>
<td>Borrowing to Own Capital expenditure</td>
<td>0.0%</td>
<td>83.5%</td>
<td>44.5%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
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</tr>
<tr>
<td>Debt servicing to Operating Revenue</td>
<td>3.2%</td>
<td>3.2%</td>
<td>4.6%</td>
<td>4.5%</td>
<td>4.2%</td>
<td>4.0%</td>
<td>3.2%</td>
<td>3.0%</td>
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<tr>
<td>Debt to Equity</td>
<td>28.0%</td>
<td>37.8%</td>
<td>39.4%</td>
<td>40.7%</td>
<td>36.7%</td>
<td>32.0%</td>
<td>29.1%</td>
<td>29.5%</td>
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<tr>
<td>Current Ratio</td>
<td>1.04:1</td>
<td>0.99:1</td>
<td>0.76:1</td>
<td>0.97:1</td>
<td>1.14:1</td>
<td>1.41:1</td>
<td>1.12:1</td>
<td>1.16:1</td>
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<tr>
<td>Liquidity Ratio</td>
<td>0.45:1</td>
<td>0.33:1</td>
<td>0.26:1</td>
<td>0.55:1</td>
<td>0.68:1</td>
<td>0.71:1</td>
<td>0.63:1</td>
<td>0.48:1</td>
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<tr>
<td>Annual Debtors Collection Rate</td>
<td>107.0%</td>
<td>93.8%</td>
<td>96.9%</td>
<td>94.5%</td>
<td>92.6%</td>
<td>93.7%</td>
<td>94.3%</td>
<td>95%</td>
</tr>
<tr>
<td>Outstanding Debtors to Revenue</td>
<td>27.4%</td>
<td>25.1%</td>
<td>15.4%</td>
<td>13.4%</td>
<td>14.0%</td>
<td>20.0%</td>
<td>20.8%</td>
<td>17.8%</td>
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<tr>
<td>Cost coverage (days)</td>
<td>74.4</td>
<td>2.2</td>
<td>13.9</td>
<td>36.6</td>
<td>59.3</td>
<td>70.3</td>
<td>73.7</td>
<td>46.5</td>
</tr>
</tbody>
</table>
Stats SA data confirms progress ...

Best improvements in home access to piped water

- NMB metro has effectively delivered its social packages (housing and basic services)
- Highest % access to formal housing and piped water has massively increased household wealth

- Household asset wealth not used for economic participation
- Ongoing acceleration in population growth rate unlike other metros
- Trajectory not sustainable without economic growth and development
- Labour-intensive, shared growth is the essential ingredient for future municipal revenues
NMNB is the largest contributor to the EC economy, generating 42% of the provincial GGP.

Access to water
100% of formal households in the urban edge

Access to sanitation
90.92% of households

Properties within Nelson Mandela Bay are valued at over R95 billion.

NMNB has delivered 74,995 housing units, i.e. an average of 4,680 per annum, between 1997 – 2013

Access to electricity
96.80% of households on formally surveyed sites

Access to waste collection
99.98% of households in the urban edge

The Metro plans to create almost 50,000 housing opportunities.
Moody’s Last credit rating of NMBM (2014/11)/... cont

Summary Rating Rationale

The A1.za (confirmed on 10 November 2014) national scale issuer rating of Nelson Mandela Bay Metropolitan Municipality takes into account the city’s solid financial performance and low and declining debt levels. Continued fiscal consolidation has led to a continuously robust financial performance and a comfortable liquidity position. However, the city’s plan to self-finance its capital programme may put pressure on liquidity. We note positively that this strategy should lead to a sustained decline in the current moderate debt levels over the medium-term rating horizon. The rating is also supported by a relatively large economic base, albeit concentrated on the automotive industry.

National Peer Comparison

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1. Debt and debt-service levels that are lower than the median of its national peers, and according to official projections these levels will further reduce; and
2. Its robust financial performance.
We invite you to our Investor’s Workshop on 18 September 2015. It aims to bring together Government and Private Sector Investors. State owned Enterprises (SOE’s) will also be there. This is an opportunity to connect with prime investment opportunities.
Who to contact at NMBM

Chief Financial Officer
Trevor Harper  CA (SA)
Telephone: 041 506 1586
Email : tharper@mandelametro.gov.za

Budget and Treasury Portfolio Councillor [MMC]
Rory Riordan
Telephone: 083 659 2696
Email : dojon@global.co.za

Senior Director: Strategic Planning & Co-ordination
Dawn McCarthy
Telephone: 041 506 2352
Email : dmccarth@mandelametro.gov.za