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'The N2 Gateway Project 2005-2007: An Analysis and an Assessment'

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A minor dissertation submitted in *partial fulfillment* of the requirements for the
award of the degree of Master of Development Studies

Faculty of the Humanities

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2007

COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Abstract

The Breaking New Ground Plan and its implementation in the pilot project known as the N2 Gateway is an important step in the conceptualization and delivery of social housing in South Africa. The National Department of Housing in BNG promotes the building of communities and not just the construction of houses as was allegedly the case in the previously built state housing. In practice, however, the N2 Gateway Project does not adequately adhere to the Breaking New Ground Strategy and is fraught with implementation problems. Whilst the N2 Gateway houses may in some cases be of a better quality, they are being built far away from economic opportunities and lack the specified social amenities and community facilities. The N2 Gateway project has been rushed, been plagued by poor planning and has failed to deliver within its time-frames. The failure to properly implement the N2 Gateway Project necessitates an analysis of the project and if necessary a review of the BNG housing policy.

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My mom, for her endless support and encouragement.

List of Abbreviations

| | |
|-----------------|--|
| ANC | African National Congress |
| Backyarder | An individual or household living in a shack in the back yard (or front yard) of a formal house |
| BNG | Breaking New Ground |
| CBO | Community Based Organisation |
| EFF | External Financing Fund |
| FNB | First National Bank |
| GCIS | Government Communication Information Service |
| HSS | Housing Subsidy Scheme |
| IDP | Integrated Development Plan |
| MEC | Member of Executive Committee |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MINMEC | Committee of Minister and MEC's |
| MoU | Memorandum of Understanding |
| NDOH | National Department of Housing |
| NGO | Non Governmental Organisation |
| NHF | National Housing Forum |
| PFMA | Public Finance Management Act |
| PGWC | Provincial Government of the Western Cape |
| PHP | Peoples Housing Process |
| PMU | Project Management Unit |
| RDP | Reconstruction and Development Programme |
| TRA | Transitional Relocation Area |
| Turnkey Project | A contract for a project in which the developer takes on a wide scope of responsibility to plan, design, build and deliver a complete development within parameters set by the client body |

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Introduction

This thesis examines the highly politicized and controversial N2 Gateway pilot project initiated in Cape Town in 2004, and still under construction. The dissertation adopts a critical approach to the analysis of the N2 Gateway Project, a pilot social housing project under the auspices of national, provincial and local government. This was the first occasion of a three tier government engagement in a social housing project.

The first chapter of the dissertation introduces the argument that housing is an important vehicle for social and economic development. The following chapter discusses the research methodology used for this paper. Chapter three analyses the efficacy of previous housing projects as vehicles for development. The specificity of the N2 Gateway is described in Chapter 4 and special reference is made to the scope and vision of the project together with the reasons for why Cape Town and the N2 'area' were chosen as the site for the development initiative. Chapter five identifies and discusses the numerous problems which have plagued the project and its implementation. The major lessons that can be learnt from the initiative thus far are discussed in Chapter 6. The dissertation concludes with a brief commentary on (1) the future of the project, (2) the possible alternatives to the N2 Gateway initiative as well as recommendations to the Breaking New Ground Plan. After Chapter seven there is a brief review of the shortcomings of the research process. I chose to place this discussion at the end of the dissertation as I am of the view that if it was placed with the discussion on research methodology the reader would not

be able to understand fully the problems I have identified in the research process.

The importance of housing for development

Whether looking at housing from bottom up or top down, this is perhaps the most important component of social policy to get right. The employment potential, substantial macroeconomic multipliers and relatively low import cost together mean that housing is well suited to play a central role in any progressive economic development strategy. From the standpoint of the household – particularly women caregivers – decent housing improves family health and hygiene, provides privacy and a chance to raise children, and ensures the psychological security that comes from ‘tenure’ (the ability to stay in a house without fear of being displaced). Finally, secure, well integrated housing developments can enhance community and mutual aid activities within a given neighborhood – Patrick Bond¹.

Housing development has proven to have a positive influence on community development. This can work to stimulate a country’s macro-economic growth, together with positively influencing the development of social welfare initiatives. The N2 Gateway Housing Project is an initiative that is sorely needed in the Western Cape. The knock on effects of this particular project, according to the objectives of the initiative, will bring much needed development on both local and national scales.

¹ Bond, P. 2000. The Housing Question. In *Elite Transition – From Apartheid to Neoliberalism in South Africa*. Scottsville, University of Natal Press. pp. 122.

Research Methodology and Design

This dissertation, due to the controversial nature of the topic, required a great deal of in-depth research in order to give a balanced review of the N2 Gateway project. The research methods that were used for this dissertation were made up of literature reviews and interviews.

A considerable amount of literature is available on the N2 Gateway project. The texts used for this dissertation included: newspaper articles, academic books, business plans, minutes of meetings, speeches, government reports and official housing documents. These documents were elicited from the university library, government publications, housing officials and the internet.

Numerous interviews were conducted for this thesis. The majority of these interviews were semi-structured in depth interviews. Housing experts, architects, party officials, project managers, academics and construction managers were interviewed for this dissertation. The interviews were recorded using pen and paper and the 'findings' from the interviews were written up after the interviews were conducted. In many instances it was not possible to meet with certain individuals in person and in these cases, 'email interviews' were conducted. It was important to interview a large number of individuals, as this allowed for better insight into the controversial issues of the N2 Gateway project.

The limitations to my research are included at the end of the paper.

Chapter 1

South Africa's Housing History

1.1 Background to housing in South Africa

1994 represented a watershed moment in the history of South Africa. With the African National Congress (ANC) coming to power, numerous changes were set in motion to try and rebuild a deeply divided nation. Housing was a critical issue for the new government. The reason for its importance was because apartheid legislation had enforced a discriminatory housing system that had caused a considerable amount of inequality and resentment amongst the majority of South Africans².

During apartheid, black South Africans in urban areas in particular were not able to acquire title hold, invest their own properties and acquire assets against which they could borrow. They were thus excluded from wealth creation and development opportunities³. The failure of the different state levels to provide sufficient social housing had a negative impact on family life (overcrowding, abuse, drugs, unrest), on community life and the necessary building of social capital and trust in modern communities. In all cases, the inadequate housing that was available was far from sites of economic

² Department of Housing, 1994. White Paper – A New Housing Policy and Strategy for South Africa. pp. 1-57.

³ Simons, M. 2007. Interview Material. Interview conducted on 10 May.

opportunities and transport nodes, causing access to housing sites to be costly, unsafe and generated insecurity⁴.

Apartheid effectively dumped people of widely differing standards of living in remote, dusty townships where amongst other consequences, access to their places of work became a costly nightmare. The housing question that the ANC had to deal with was therefore not just a social issue but a major political and economic due to the legacy of the previous regime⁵.

During apartheid thousands of Black, Coloured and Indian South Africans were forced to move. The areas that they were 'evicted' from were then developed into 'rich' white commercial properties or housing estates and compensation below market rates was given to those evicted. These people looked on with 'understandable envy' and anger at these new properties. Now that the ANC had come to power, these past imbalances were expected to be redressed⁶.

The National Housing situation was in serious need of attention when the ANC government took over. The estimated housing backlog was estimated at around 3 million units in 1990 and each year an average of 200 000 new

⁴ Breaking New Ground. 2004. A Comprehensive Plan for the Development of Sustainable Human Settlements. Department of Housing, pp. 1-28.

⁵ Turok, I & Watson, V. 2001. Divergent Development in South African Cities: Strategic Challenges Facing Cape Town. In Urban Forum, pp. 119-138.

⁶ Asmal, K. 2000. Ethnicity and Housing. Part Two: South Africa. Vermont, Ashgate Publishing Company, pp. 27-34.

households was being added to this list⁷. The required housing was thus a daunting task for the new South African Government to grapple with. What was of great concern for those responsible for housing development was that the campaign was starting off the back foot too as only 50 000 houses were built in 1992⁸,

The Mandela Government had inherited a fragmented and disjointed system of housing administration. This resulted in several major problems. Firstly, South African households' rent and service charges did not exist under one comprehensive system, which made organization problematic. Secondly, waiting lists were fragmented and had not been updated for a long time. Thirdly, no income surveys had been carried out for a long time and thus rents were therefore unrealistically low. In order to address these problems the ANC decided to adopt a comprehensive policy for housing the nation (This 'comprehensive' policy in introduced in Chapter 3.2.1)⁹.

The Western Cape's housing demand greatly outweighed the housing supply in 1994. The housing shortage was just under 200 000 units when the ANC took power. The housing policies and practices in Cape Town and adjacent

⁷ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd. pp. 1-132.

⁸ Human Settlements Reference Group. 2005. Draft Discussion Document to inform the development of a Strategy and Implementation Plan in the Western Cape for 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements. October 7, pp. 1-49.

⁹ Behrens, R & Watson, V & Wilkinson, P. 1998. Housing provision in metropolitan Cape Town: An exploration of strategic and institutional issues. Urban Problems Research Unit, University of Cape Town, pp. 1-51.

municipalities needed to be reviewed in order to redress the inherited imbalances¹⁰.

The Western Cape's housing situation was complicated. Behrens et al (1998) suggested that you could not put the housing problem in South Africa and in particular the Western Cape, simply down to a discrepancy between the level of demand and the level of supply¹¹. The issue they argued was far more complex than this. Those responsible for housing delivery would have to grapple with the various issues linked to housing if any success was to be achieved.

There are a number of related issues that must be understood in order to put the Western Cape's housing crisis into context. Firstly, there were very strong coloured and black racial tensions in the region. This was due to the apartheid governments 'preferential' treatment of coloured and Asiatic minorities. Secondly, the Western Cape was encountering a large influx of people from the Eastern Cape, seeking employment opportunities, access to education and health. Thirdly, issues relating to violence, drugs and alcohol abuse were imbedded in many of the communities. Lastly, the issue of existing waiting lists for houses was a critical one that needed to be addressed as the government was under pressure to decide who to give houses or housing

¹⁰ South Africa Survey 1995/1996. 1996. Johannesburg, South African Institute of Race Relations, pp. 321-363.

¹¹ Behrens, R & Watson, V & Wilkinson, P. 1998. Housing provision in metropolitan Cape Town: An exploration of strategic and institutional issues. Urban Problems Research Unit, University of Cape Town, pp. 1-51.

subsidies to¹². The majority of individuals on housing waiting lists were people classified as coloured. No lists were kept of people wanting accommodation in the informal settlements or newer townships, that had been established in Cape Town from the 1980's and in particular those established post the removal of influx control regulations. The people excluded from the lists and wanting houses were overwhelmingly African¹³.

All the afore mentioned issues made the housing question in the Western Cape far more than just an issue around the concept of demand and supply. This presented local, provincial and national government with a particular political problem in respect of the Western Cape and Cape Town in particular. The following section will discuss how the government approached this complex housing problem, which it inherited from the apartheid administration.

1.2 South Africa's post-apartheid housing policy

The newly elected South African government was determined to bring about change and the vehicle they used to drive this change was the Reconstruction and Development Program (RDP). The architects of the Reconstruction and Development Program recognized that the housing problem in South Africa had reached 'crisis proportions'¹⁴. Plans for a housing policy were thus put together within the Reconstruction and Development Programme.

¹² Asmal, K. 2000. *Ethnicity and Housing. Part Two: South Africa*. Vermont, Ashgate Publishing Company, pp. 27-34.

¹³ Simons, M. 2007. Interview Material. Interview conducted on 10 May.

¹⁴ *The Reconstruction and Development Programme*. 1994. Johannesburg, Umanyano Publications. pp. 22.

The National Housing Forum (NHF) was officially launched on 31 August 1992, with a mandate to develop a housing policy and framework. The NHF was made up of 19 members from; political groups, parastatal agencies, representatives of financial services, construction and insurance sectors and NGO's. The Forum was funded by the Independent Development Trust. All parties were encouraged to set aside political differences and work together to develop a new plan for social housing in South Africa. The forum developed the White Paper on Housing in 1994¹⁵.

The goal and contents of the White Paper were clear. A summary of the key aspects of the White Paper are provided below¹⁶. This is followed by an evaluation of the implementation of the Housing policy and finally an overall critique of the policy and implementation.

The Housing White Paper cut ties with the previous regime's strategy of housing delivery and adopted an entirely new approach to housing in South Africa. It put forward for the first time, a coherent national housing strategy, which removed multiple institutions that had been responsible for housing delivery in the past. The primary goal of the White Paper was to produce 1 million low cost houses over 5 years. These units would be specifically intended for 'low-income households and were to include the rural areas'¹⁷.

¹⁵ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd. pp. 1-132.

¹⁶ Department of Housing, 1994. White Paper – A New Housing Policy and Strategy for South Africa. pp. 1-57.

¹⁷ The Reconstruction and Development Programme. 1994. Johannesburg, Umanyano Publications. pp. 22.

The houses would be delivered according to a new capital housing subsidy system¹⁸. Two other major goals of the White Paper were to increase the Department of Housing's share of the state budget to 5%, together with increasing housing delivery to a peak of 338 000 houses per annum after 5 years¹⁹.

Although the new constitution had not been drawn up yet, the ANC made it clear that South Africans had the right to housing and one of the White Paper's first priorities was to provide for the homeless. The needs of the poor and vulnerable groups (women, youth and the disabled) would also be prioritized, according to the White Paper. The new housing strategy included policies, which would allow for the development of small, medium-sized and micro enterprises (SMME's) that would be owned and run by black people²⁰.

The government was ultimately responsible for ensuring that housing be provided for all South Africans. The Mandela government, however, made it clear that it would not engage directly in the provision of housing but would create an 'enabling' environment for housing delivery. The government would thus facilitate housing delivery and the construction would be market-driven²¹.

¹⁸ Gilbert, A. 2001. 'Scan Globally; Reinvent Locally': Reflecting on the Origins of South Africa's Capital Housing Subsidy Policy. In *Urban Studies*, Vol. 39, No. 10. Carfax Publishing, pp. 1911-1933.

¹⁹ Bond, P. 2000. *The Housing Question*. In *Elite Transition – From Apartheid to Neoliberalism in South Africa*. Scottsville, University of Natal Press. pp. 143.

²⁰ Khan, F & Thring, P. 2003. *Housing Policy and Practice in Post-Apartheid South Africa*. Sandown, Heinemann Publishers (Pty) Ltd, pp. 1-132.

²¹ *The Reconstruction and Development Programme*. 1994. Johannesburg, Umanyano Publications, pp. 22.

The Housing White Paper described the new housing policy as having an 'incremental' approach to housing delivery in South Africa. This 'incremental' approach was clearly displayed in its projected budget allocations. The government was 'to allocate subsidy funds from the budget – to reach a goal of not less than five per cent of the national budget by the end of the five year RDP'²².

Construction costs for social housing were to be kept to a minimum without sacrificing quality and emphasis was also placed on using local resources.

The White Paper declared that minimum housing standards had to be met,

...all housing must provide protection from the weather, a durable structure. A house must include sanitary facilities, storm-water drainage, a household energy supply and convenient access to clean water²³.

In conclusion the new housing strategy promoted,

...establishing viable, socially and economically integrated communities in areas allowing convenient access to economic opportunities as well as health, educational, social amenities and transport infrastructure, within which all South Africans will have access, on a progressive basis, to a permanent residential structure with secure tenure²⁴.

²² Bond, P. 2000. The Housing Question. In *Elite Transition – From Apartheid to Neoliberalism in South Africa*. Scottsville, University of Natal Press, pp. 122-151.

²³ The Reconstruction and Development Programme. 1994. Johannesburg, Umanyano Publications. pp. 23.

²⁴ Khan, F & Thring, P. 2003. *Housing Policy and Practice in Post-Apartheid South Africa*. Sandown, Heinemann Publishers (Pty) Ltd. pp. 1-132.

1.3 A Critique of the post-apartheid housing policy

The housing policy devised by the new South African government received considerable attention by housing experts and political officials. The ANC regime was under considerable pressure to produce results when they assumed power, as housing was a critical issue because it was one that directly affected the majority of South Africans²⁵. Much has been written about the performance of the housing sector but before this paper investigates the criticisms of the new housing policy and its performance, it is vital that the results are unpacked.

²⁵ Turok, I & Watson, V. 2001. Divergent Development in South African Cities: Strategic Challenges Facing Cape Town. In *Urban Forum*, pp. 119-138.

The new ANC government was under pressure to produce houses due to the following backlog figures that existed in 1994.

Table 1: Provincial Distribution of Housing Backlog (1994)²⁶

| Province | Backlog |
|-----------------|------------------|
| Eastern Cape | 715 726 |
| Free State | 261 520 |
| Gauteng | 671 705 |
| Kwazulu-Natal | 850 082 |
| Mpumalanga | 191 779 |
| Northern Cape | 16 607 |
| Limpopo | 533 704 |
| North West | 339 402 |
| Western Cape | 162 371 |
| TOTAL | 3 742 896 |

²⁶ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd, pp.119.

The ANC was able to build over 1.7 million houses in 12 years. According to Kecia Rust, the rate at which South Africa delivered these units was 'unparalleled internationally'²⁷. The breakdown of this delivery is given below.

Table 2: Houses completed or under construction (1994-2005)²⁸

| Province | Houses completed/under construction |
|-----------------|--|
| Eastern Cape | 247 683 |
| Free State | 117 135 |
| Gauteng | 404 610 |
| Kwazulu-Natal | 308 040 |
| Mpumalanga | 140 511 |
| Northern Cape | 36 293 |
| Limpopo | 138 458 |
| North West | 141 216 |
| Western Cape | 210 118 |
| TOTAL | 1 744 064 |

²⁷ Rust, K. 2006. *Analysis of South Africa's Housing Sector Performance* – FinMark Trust. <http://www.finmarktrust.org.za/documents/2007/March/Hsectoranalysis.pdf> Website accessed on 14 May 2007. pp. 7.

²⁸ South Africa Survey 2004/2005. Johannesburg, South African Institute of Race Relations, pp. 383-457.

In order to solve the housing crisis a great deal of money needed to be spent on housing delivery. According to most housing experts, it was important that a good percentage of the South African national budget was dedicated towards housing²⁹. The expenditure figures are given below.

Table 3: Housing Expenditure 1995-2002³⁰

| Year | Housing expenditure (R millions) | National expenditure (R millions) | Housing expenditure as a % of National expenditure |
|-------------|---|--|---|
| 1995\96 | 987 | 151 829 | 0.7 |
| 1996\97 | 2 070 | 176 291 | 1.2 |
| 1997\98 | 4 520 | 189 947 | 2.4 |
| 1998\98 | 3 748 | 201 416 | 1.9 |
| 1999\00 | 3 494 | 214 749 | 1.6 |
| 2000\01 | 3 433 | 235 048 | 1.5 |
| 2001\02 | 3 718 | 258 318 | 1.4 |

From the figures it is clear that the new housing policy did produce a considerable amount of houses between 1994 and 2005. Not enough houses, however, were built to address the national backlog³¹. The national backlog in 1994 was over 3.7 million and by 2005, only 1.7 million houses had been constructed or were being constructed. This meant that almost 2 million

²⁹ Behrens, R & Watson, V & Wilkinson, P. 1998. Housing provision in metropolitan Cape Town: An exploration of strategic and institutional issues. Urban Problems Research Unit, University of Cape Town, pp.1-51.

³⁰ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd, pp.169

³¹ Department of Housing, 2005. The budget: housing, Housing 2004/2005. pp 9-11.

houses still had to be built without taking into consideration the new entrants into the housing market, which by 2003, had reached 200 000 new families a year³². This therefore meant that housing demand was outstripping the supply of houses. The housing problem had therefore continued to worsen after 1994.

The sustainability and quality of the houses that were delivered also resulted in some major criticism. This is highlighted by the fact that by 2001, 49 809 housing units had been registered with the Defects Warranty Scheme. Another disturbing statistic that also came about in 1999 was that 'only 30% of houses complied with the standard size of 30m²'³³.

Illustration 1: A Typical Two-room RDP House³⁴



³² South Africa Survey 2004/2005. Johannesburg, South African Institute of Race Relations, pp. 383-457.

³³ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd, pp. 1-132.

³⁴ Typical two-room RDP House. www.affordablehousinginstitute.org/blogs/us/2 [Online]; [Site accessed 15 May 2007].

Patrick Bond was highly critical of the post-apartheid housing policy.

What with South Africa's formidable legacy of social struggles over urban shelter issues, more was expected of the first democratic government's housing policy, and less was delivered, than in practically any other area of social policy³⁵.

Housing experts have given various reasons as to why the housing policy under-performed, as Bond and the statistics have suggested, and this paper will outline a number of arguments by key authors.

The World Bank argued that the South African Government funding policy and budget allocation was largely to blame for the lack of delivery. According to the World Bank, too little of the national budget was spent on housing. In 2001/02 only 1.4% of South Africa's national budget was allocated to housing. According to the World Bank, South Africa needed to allocate 7-8% of their annual GDP to housing. Countries with similar levels of economic development spend around 5% of their budget on housing but South Africa needed to increase this to compensate for the lower than average allocations in the past³⁶. The World Bank also suggested that the new South African government could have learned from the housing policies adopted in other countries, such as Chile and this could have prevented some of the problems the new government experienced³⁷.

³⁵ Bond, P. 2000. The Housing Question. In *Elite Transition – From Apartheid to Neoliberalism in South Africa*. Scottsville, University of Natal Press. pp. 122.

³⁶ Behrens, R & Watson, V & Wilkinson, P. 1998. Housing provision in metropolitan Cape Town: An exploration of strategic and institutional issues. Urban Problems Research Unit, University of Cape Town, pp. 1-51.

Thring and Khan argue that the housing policy instituted by the ANC government was flawed and this has thus resulted in the poor performance of the housing sector. They argue that the policy was supply-driven and not based on the needs of the people and for these reasons the housing policy did not perform. Communities were not involved in many of the planning stages of projects, which thus created a divide between developers' promises and community expectations. They suggest that the housing policy was an 'extension' of the pre-democratic approach to housing in South Africa, as it did not take into account the transitional nature of the South African society at the time³⁸.

Gear (1999) argues that research during the 1990's showed that housing delivery in many instances, undermined people's access to economic opportunities, which was in direct contrast to the aims of the South African housing policy³⁹. This consequently meant that the beneficiaries did not see their newly acquired houses as assets. To date, it has been reported that 50-60 percent of RDP houses have changed hands, some being sold for as little as R1500. The initial beneficiaries of these houses were not satisfied with being moved to areas which lacked economic opportunity. They thus rented or sold their RDP house and moved back to the areas where they came from. This movement back had numerous knock on effects as it reunited families,

³⁷ Gilbert, A. 2001. 'Scan Globally; Reinvent Locally': Reflecting on the Origins of South Africa's Capital Housing Subsidy Policy. In *Urban Studies*, Vol. 39, No. 10. Carfax Publishing, pp. 1911-1933.

³⁸ Khan, F & Thring, P. 2003. *Housing Policy and Practice in Post-Apartheid South Africa*. Sandown, Heinemann Publishers (Pty) Ltd, pp. 120.

³⁹ Gear, S. 1999. *Issues in Development*, No. 18 - Numbers or Neighbourhoods: are the beneficiaries of government subsidized housing provision economically empowered? Johannesburg, Friedrich-Ebert-Stiftung, pp. 1-77.

cut down on transport costs to work and allowed children to continue studying at their previous school⁴⁰.

Thring and Khan have identified specific reasons as to why the housing policy did not achieve the goals that is set out in the Housing White Paper of 1994. Firstly, 80% of the money allocated for housing went unspent between 1994 - 1996. Secondly, in 1998-99 only 1.5% of the state budget was set aside for housing – a lower percentage than during the apartheid era. Added to this inadequate budgeting, there was an unequal distribution of funding amongst low-income groups. The reason for this was that higher income groups became the target for private housing projects, as it was easier for them to gain access to credit. Thirdly, many of the geographical locations of the new housing projects were undesirable and did not meet the objectives laid out by the RDP. Many existed quite some distances from major centres thus cutting off access to job opportunities. Some housing projects also did not have access to schools, clinics or shopping facilities. Fourthly, very few housing projects were developed in conflict-ridden townships where development projects were often needed the most. Finally, corruption within provincial housing departments meant that money was being laundered and not spent where it was needed⁴¹.

The Government believed that although many successes were seen with the post-apartheid housing policy, it did not adequately address the inherited

⁴⁰ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

⁴¹ Khan, F & Thring, P. 2003. Housing Policy and Practice in Post-Apartheid South Africa. Sandown, Heinemann Publishers (Pty) Ltd.

apartheid inequalities in South Africa. The government believed that a 'new plan was required to redirect and enhance existing mechanisms to move towards a more responsive and effective delivery'⁴².

1.4 'Breaking New Ground' – South Africa's New Housing Policy

The 'Breaking New Ground' Plan is, according to the government, a break from the trend of housing policies that have gone before and represents a new vision for housing development in South Africa. It is a 'step forward' according to those involved in the policy making and it follows the international trend in social housing⁴³. The crux of the new policy is that housing is no longer seen 'in terms of shelter but of sustainable and integrated human settlements'⁴⁴. Previous housing policies in South Africa have focused purely on home ownership on a one-plot-one-house basis. This has not worked according to officials and has only led to the continuation of urban sprawl. Communities in new housing projects are continually marginalized due to the lack of proper foresight and planning. Many housing developments have actually served to exclude residents from economic and social opportunities. The 'Breaking New

⁴² Breaking New Ground. 2004. A Comprehensive Plan for the Development of Sustainable Human Settlements. Department of Housing, pp. 7.

⁴³ Department of Local Government and Housing. 2005. *Five-year Strategic and Performance Plan 2005 to 2009*. pp. 7-43.

⁴⁴ Human Settlements Reference Group. 2005. Draft Discussion Document to inform the development of a Strategy and Implementation Plan in the Western Cape for 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements. October 7. pp. 7.

Ground' Plan aims to break away from this pattern and develop sustainable communities⁴⁵.

The fundamental aim of the new strategy is to bring about 'Sustainable Human Settlements'. These, according to policy documents are,

*well-managed entities in which economic growth and social development are in balance with the carrying capacity of the natural systems on which they depend for their existence and result in sustainable development, wealth creation, poverty alleviation and equity*⁴⁶.

The new human settlement plan aims to move beyond merely providing basic shelters and is focused on creating sustainable communities. In theory this is an important step forward in South Africa's housing policy but the success of this new policy will be determined by what is done in practice. Through the N2 Gateway example, this paper will show the achievements of this new policy⁴⁷.

The BNG strategy wants to redirect and enhance existing mechanisms to achieve more responsive and effective housing delivery⁴⁸. A key feature of the strategy will be to enhance the role of the private sector. The government aims to create public-private partnerships to aid construction and to allow for

⁴⁵ Rust, K. 2006. Analysis of South Africa's Housing Sector Performance – FinMark Trust. <http://www.finmarktrust.org.za/documents/2007/March/Hsectoranalysis.pdf> Website accessed on 14 May 2007. pp. 1-44.

⁴⁶ Breaking New Ground. 2004. A Comprehensive Plan for the Development of Sustainable Human Settlements. Department of Housing, pp. 11.

⁴⁷ Rust, K. 2006. Analysis of South Africa's Housing Sector Performance – FinMark Trust. <http://www.finmarktrust.org.za/documents/2007/March/Hsectoranalysis.pdf> Website accessed on 14 May 2007. pp. 1-44.

⁴⁸ Chuene, T. 2006. Delivering on housing mandate. In New Homes: Buying, Building, Renovating and Inspiring. Issue 4. Edited by Doolan, J. Randburg, Mafube Publishing (Pty) Ltd., pp. 22-23.

the provision of housing finance. The government believes that public-private partnerships will be the key to ensuring higher delivery rates⁴⁹. The BNG Policy document outlines clear objectives for housing in South Africa and these are included in the Appendix A⁵⁰.

It is important to note that the BNG policy document (2004) and the Housing White Paper from 1994 are exceedingly similar in content.

Housing White Paper (1994):

...government strives to establish viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities, within which all South Africans will have access, on a progressive basis, to a permanent residential structure with secure tenure⁵¹.

BNG Policy (2004):

...to create sustainable human settlements... in safe and secure environments with adequate access to economic opportunities, a mix of safe and secure housing and tenure types, reliable basic services and educational, entertainment, cultural, health, welfare and police services⁵².

⁴⁹ Sisulu, L. 2006. *2006/2007 Budget Vote Statement*. [Media Briefing, May 24]. Cape Town.

⁵⁰ Breaking New Ground. 2004. *A Comprehensive Plan for the Development of Sustainable Human Settlements*. Department of Housing.

⁵¹ Khan, F & Thring, P. 2003. *Housing Policy and Practice in Post-Apartheid South Africa*. Sandown, Heinemann Publishers (Pty) Ltd, pp. 121.

⁵² Human Settlements Reference Group. 2005. *Draft Discussion Document to inform the development of a Strategy and Implementation Plan in the Western Cape for 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements*. October 7, pp. 1-49.

The similarity in these documents is concerning to many housing experts. The government has stressed the BNG policy is a break from past housing strategies but clearly from the above quotations very little has changed with regards to South Africa's housing policy. The proof will be in the actual practice of the policy and this paper will uncover the results with regards to this, based on the N2 Gateway Project implementation.

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Chapter 2

The N2 Gateway Project

2.1 Purpose of the Project

The N2 Gateway Project is the product of the government's new 'Breaking New Ground' policy, which aims to bring about the development of sustainable human settlements. It is the lead pilot project of a series of pilots to be implemented in all provinces around the country⁵³.

The purpose of the N2 Gateway is to comprehensively address the housing and development needs of communities located in the targeted areas in such a way that individual and household livelihoods are enhanced; people are housed in habitable, affordable and sustainable housing; the city is improved through urban renewal, regeneration, and socio economic development; and, the institutional capacity necessary to address wider upgrading needs is assembled. This project triggers and complements other initiatives at restructuring the spatial economy of the city so that its benefits are more equitably distributed⁵⁴

The N2 Gateway project aims to upgrade the informal settlements, which exist along the N2, from the Borchers Quarry Drive (located near the Cape Town International Airport) to Bunga Avenue in Langa. The project also includes development initiatives in District 6. The project intends to produce roughly 25 000 homes for those living in these areas⁵⁵. All in all, around 100 000 people will be housed through this initiative⁵⁶. Due to the project's pilot status, it is a

⁵³ Integrated Development Plan 2005/2006. 2006. Chapter 4: Creating Integrated Settlements.

⁵⁴ N2 Gateway Project: Overview. 2004. PowerPoint Presentation, pp. 1-40.

⁵⁵ Department of Local Government and Housing: 5 Year Strategic and Performance Plan, 2005. pp. 8.

⁵⁶ Bulelani, P. 2005. Gateway move put off until September. In Cape Argus July 12.

scaled intervention that is geographically limited to the areas alongside the N2 highway.

At the present moment the N2 Gateway consists of ten 'projects' (8 currently being implemented). Each project has its own time frame and particular combination of 'walkup' (rental) and 'BNG' (subsidy) housing units. The breakdown of the housing components in each area of the project is displayed on the following page.

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Table 4: N2 Gateway Components 26 September 2006⁵⁷

| | BNG Houses | Walkups | Total |
|---------------------------|-------------------|----------------|--------------|
| Joe Slovo Phase 1 | 0 | 705 | 705 |
| Joe Slovo Phase 2 | 1000 | 0 | 1000 |
| Joe Slovo Phase 3 | 464 | 0 | 464 |
| Delft 7-9 | 3710 | 795 | 4505 |
| Delft Symphony | 6242 | 600 | 6842 |
| New Rest | 1154 | 0 | 1154 |
| Boystown | 1508 | 0 | 1508 |
| District Six | 500 | 0 | 500 |
| Blue Down Erf 1892 | 1800 | 200 | 2000 |
| Wingfield | 6800 | 272 | 7072 |
| Total | 23178 | 2572 | 25750 |

The initiative is significant not only as a pilot project of the Breaking New Ground, but also in the explicit engagement of three levels of government, the city of Cape Town, the provincial government and national department of Housing. A memorandum of understanding was signed by all three tiers of

⁵⁷ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

government in February 2005 and a steering committee involving members from all three bodies was setup⁵⁸.

The major focus for the development is the introduction of an integrated approach to housing, whereby the new residents will 'have access to community facilities, social amenities and new economic opportunities'⁵⁹. It is hoped that through the knowledge gained from the implementation of this project, further projects will be successfully rolled out in order to 'eradicate informal settlements by 2014'⁶⁰.

2.2 Why was Cape Town chosen?

Cape Town was selected as the site for the pilot project because of the range of problems and opportunities it presented. Cape Town's housing backlog, its rapid rate of urbanization, and in particular its very poor housing delivery rates in the last decade, are some of its particular problems. The political dimensions of these problems are significant in respect of the sometimes competing claims of informal settlement dwellers and backyard shack dwellers. Cape Town's expanding economy and economic opportunities could aid the process of solving the aforementioned problems and therefore the city was chosen as the site for the BNG pilot project. It is hoped that through the implementation of the project, many lessons would be learnt and the

⁵⁸ *N2 Gateway*. 2006. Housing Strategy Committee. [PowerPoint Presentation] June 26.

⁵⁹ City of Cape Town, Integrated Development Plan 2005/2006.

⁶⁰ Sisulu, L. 2006. 2006/2007 Budget Vote Statement. [Media Briefing, May 24]. Cape Town.

knowledge gained from the experience will be used in the implementation of future housing initiatives across South Africa⁶¹.

The N2 site was chosen according to certain 'criteria'. Firstly, it was decided that a high-density centrally located informal settlement was needed due to the large scale of the intended project. Secondly, they wished the project to address the needs of areas where the extent of poverty and the inadequacy of shelter was the greatest. Thirdly, the area also needed to have had a history of poor social service delivery. With these criteria in mind, they identified a number of informal settlements, for example Joe Slovo, New Rest, Boystown that could be developed and thus the N2 site was chosen.

The N2 location was an area that possessed all the crucial characteristics of a site that was in dire need of a housing development initiative. The people living in the 'N2 area' were also living with the continual threat of fire, flooding and crime, which made the intervention even more necessary⁶².

⁶¹ Briefing document for the N2 Gateway Project. 2006. [Part of media pack handed out at the official launch of Phase 2 of the N2 Gateway Project].

⁶² Mfeketo, N. 2005. N2 Gateway Briefing Document. [Minister of Housing Briefing on Housing Media Event]. February 14.

2.3 The Vision of the Intervention

The N2 Gateway Project has numerous aspects to it. Firstly, it aims to bring about the improvement in the quality of people's lives through the provision of basic services in the areas identified. This is a continuation of the 1994 National housing policy⁶⁴. Secondly, the project will bring about the development of the infrastructure and settlement design needed to produce integrated settlements. These settlements will be carefully planned so as not to disrupt 'the delicate socio-economic fabric underpinning the livelihood and coping strategies of the poor'⁶⁵. Thirdly, the project aims to re-establish communities that have been displaced by de-densification. An example of this is the fact that documents of beneficiaries (e.g. medical records) will have to be transferred to institutions that are closer to the site of the new housing development⁶⁶. This is intended to minimize the disruption for people in the relocation process from one settlement to another. The knowledge gained through this procedure will be used in later developments. Fourthly, it aims to give those living in unsuitable areas access to economic opportunities and community facilities. Lastly, the project will 'design and deliver products that offer tenure diversification (rental, rent to own, mortgage homes, BNG homes)⁶⁷.

⁶⁴ Department of Housing, 1994. White Paper – A New Housing Policy and Strategy for South Africa. pp. 1-57.

⁶⁵ Briefing Document for the N2 Gateway Project, 2005. A Joint Initiative of the National Department of Housing, the Western Cape Department of Housing and the City of Cape Town.

⁶⁶ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

⁶⁷ Briefing Document on the N2 Gateway Project, 2006. pp. 5

2.4 The Cost of the N2 Gateway Project

The cost of the Gateway initiative has been a highly controversial and topical issue due to the fact that the costing of the project has continually been changing⁶⁸. The figures in the most recent Business Plan (26 September 2006) give a project cost of R3, 418 billion and the breakdown of this cost is displayed in Table 5 on the following page.

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⁶⁸ Powell, A. 2005. City admits Gateway cash crunch. In Cape Times, December 6.

Table 5: N2 Gateway Budget 26 September 2006⁶⁹

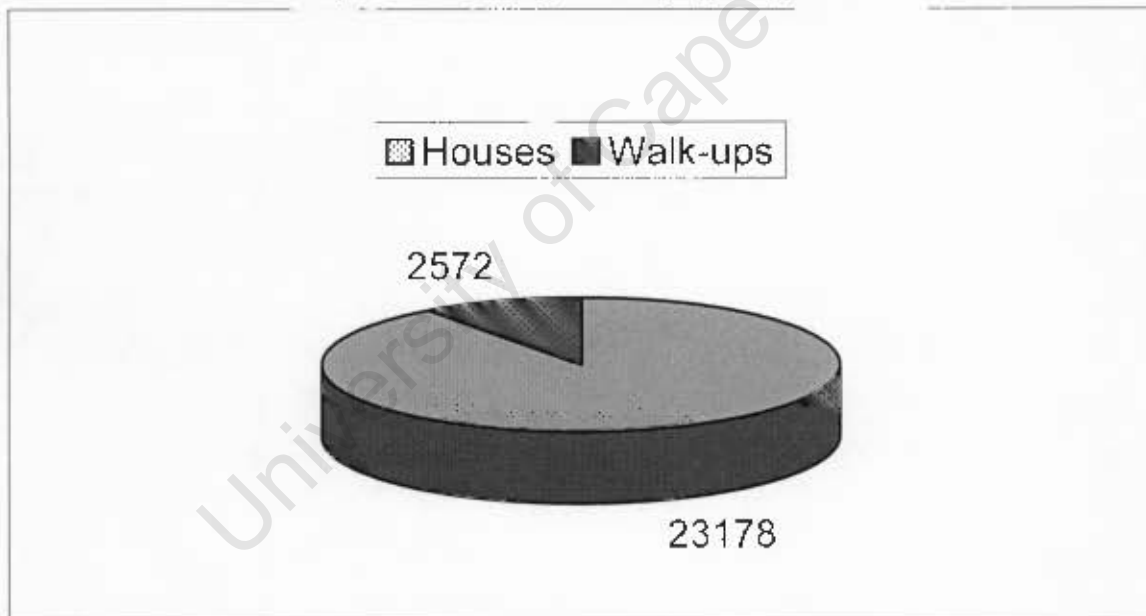
| Element | Number of Units | R Mill |
|---|------------------------|---------------|
| Housing Component | | |
| BNG top structures | 23178 | 1274 |
| Serviced stands | 23178 | 524 |
| Walkups | 2572 | 336 |
| TRA's | 3550 | 112 |
| Land Rehabilitation | | 62 |
| NHBRC Registration | 23178 | 31 |
| | | |
| Bulk and Link Infrastructure | | |
| Link Transport, Water and Sanitation Services | | 126 |
| Bulk and Link Infrastructure to new Projects | | 346 |
| Electrical Bulk supply to Projects | | 43 |
| Electrical reticulation within Projects | | 127 |
| | | |
| TRA's | | |
| Maintenance of TRA's | 6793 | 20 |
| Dismantling of TRA's | 6793 | 20 |
| | | |
| Social and Economic Infrastructure | | |
| COCT (parks, gardens, facilities, etc.) | | 53 |
| PGWC (schools, clinics, etc) | | 333 |
| | | |
| Communications & Community Participation | | |
| | | 12 |
| | | |
| TOTAL | | 3418 |

⁶⁹ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

2.5 The make up of the N2 Gateway

Initially the intention was that the N2 Gateway would build 22 000 housing units⁷⁰. Subsequently, the number of housing units was increased to 25 750. The allocation of between BNG top structures (houses) to walkups (rental units) is 90:10. The walk-ups vary between one and three bed roomed units, while the majority of the BNG are two-bed roomed units. The cost of a BNG top structure is R 54 966 and the estimated cost of a single walkup unit is R 130 638⁷¹.

Graph 1: N2 Gateway Housing Typologies



⁷⁰ Sisulu, L. 2006. *2006/2007 Budget Vote Statement*. [Media Briefing, May 24]. Cape Town.

⁷¹ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thube:isha Homes. 1-56. This reference also applies to the pie chart below.

2.6 Time-Frames for N2 Gateway

The Gateway Project has not been able to meet its intended deadlines⁷², as the project has suffered numerous problems and delays. These issues will be investigated in the following chapters.

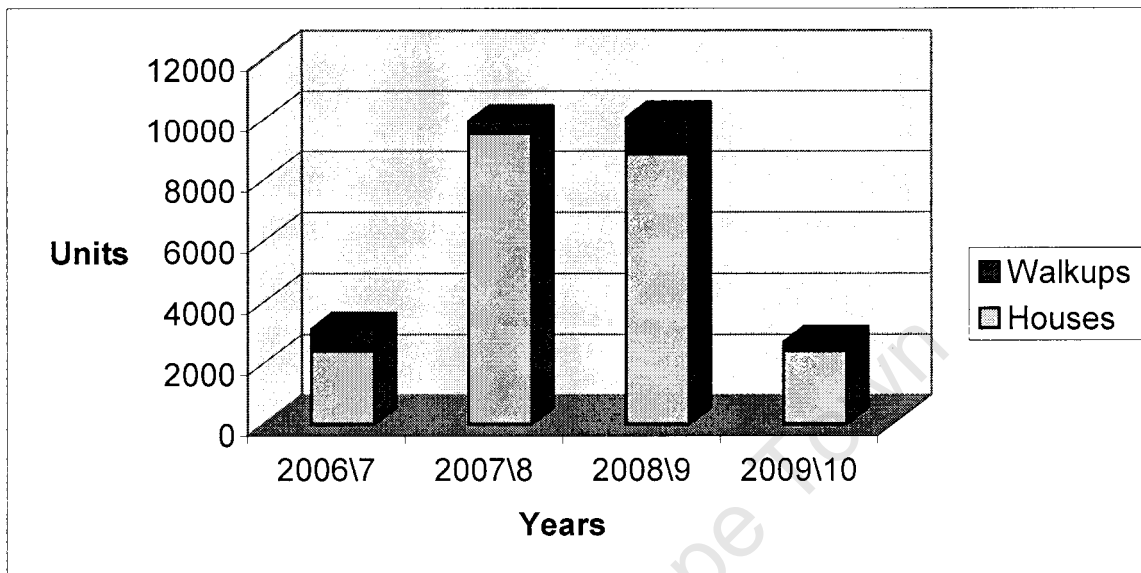
| DATE | ACTION |
|----------------------|--|
| August 2004 | National Cabinet Meeting – Gateway plan set in motion |
| December 2004 | Cyberia appointed as project manager |
| February 2005 | MOU signed between all three tiers of government |
| June 2005 | 1st Deadline for N2 Gateway delivery |
| December 2005 | 2nd Deadline for N2 Gateway delivery |
| January 2006 | <ul style="list-style-type: none"> - Cyberia's services terminated - City replaced as developer by Province - Province appoints Thubelisha |
| June 2006 | Phase 1 completed (Joe Slovo – 705 units) |
| December 2006 | 3rd Deadline for N2 Gateway delivery |
| March 2010 | Latest Deadline for N2 Gateway delivery |

⁷² Pollack, M. 2005. N2 Gateway taking shape. [Online]. Available: <http://www.housing.gov.za> [2006, October 1].

⁷³ The timeline was initially devised by Paul Blake through the documentation available. Through revisions by Peter Ocroft and Kevan Baker the timeline was amended.

The delivery of housing units has been broken up over five years and the delivery schedule is graphed below⁷⁴.

Graph 2: Latest Delivery Schedule for Housing Components



⁷⁴ Information for the graph obtained from the N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

Chapter 3

Major Problems with the N2 Gateway

3.1 Broken Promises

One of the features of the N2 Gateway initiative, which became problematic, was the 'promise of housing' that was made to the people. In 2005, at the start of the project the people of Cape Town were informed that the plan was to build '22 000 homes in six months'⁷⁵. Nomaindia Mfeketo, at a Housing media event in February 2005, stated that the *'project will be successfully implemented in a rapid phased and responsible manner. It will bring huge benefits to all the poor and deprived of Cape Town'*.⁷⁶ Mrs Mfeketo also promised that *'everything is now in place – the money, the business plan and the contractors – to make this reality'*⁷⁷. These statements pleased possible beneficiaries as many had been waiting for a number of decades for the government to deliver on previous housing promises.

Cynthia Bokwe's (a prospective new Gateway resident) comments typifies this expectation discussed above – *'I am very happy, excited and thankful I have this opportunity. We will live under better circumstances'*⁷⁸. In retrospect,

⁷⁵ Urban Resource Centre, 2005. N2 Corridor – Cape Town. Cape Town, The Community Organisation Urban Resource Centre.

⁷⁶ Mfeketo, N. 2005. N2 Gateway Briefing Document. [Minister of Housing Briefing on Housing Media Event]. February 14.

⁷⁷ Engineering News. 2005. 'Hopelessly Flawed'? – Local professionals describe Cape Town planning as 'expensive joke'. November, pp. 11-17.

⁷⁸ Essop, P. 2006. After 31 years in hostel, family overjoyed with new house'. In Cape Argus. July 19.

however, it was clear that this goal was virtually impossible to achieve as the government did not have adequate resources and planning in place at the time. The contract companies had warned the politicians at the time that the '*contract period is unfeasibly short*'⁷⁹. Within a few months it was clear that the Department of Housing's aim of building 22 000 houses by June 2005 was not going to be achieved.

The time frames of the N2 Gateway were revised despite the remarkable comments made by Minister Sisulu in August 2005, '*I'm proud of what we have produced in the shortest time possible. We are meeting deadlines under difficult circumstances*'.⁸⁰

The policy document was amended and the new time schedule showed that the Gateway Project would be completed by June 2006⁸¹. This angered the people of Cape Town, as now prospective beneficiaries would have to wait another year before receiving a home. This feeling is captured in Mzonki Poni's, an informal N2 settlement resident, comment on the housing situation. He said, '*We are tired of promises, we want houses as much as you want our votes*'⁸². The bottom line of the situation was that the unrealistic aspirations of the politicians did not match the work that could be achieved on the ground level. The politicians involved with the project needed to ensure that the

⁷⁹ Winfield, M. 2006. A Living Space for All. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 4.

⁸⁰ Cape Argus. First N2 Gateway Homes Completed. 2005. August 24.

⁸¹ Kipps, S. 2005. N2 Gateway Project – Record of Meeting held between the City, PMU and Vula Joint Venture on 14 November 2005. [Document written by Vula Joint Venture].

⁸² Raymond, L. 2005. Housing Issue heats up as protestors block N2. In Entoe. July 12.

delivery mechanisms that were in place could achieve the objectives of their vision, and this was not the case.

Within months of the new deadline being set it was clear from the lack of construction on the prospective housing sites that the three tiers of government would once again not deliver on their promises⁸³. The City of Cape Town, the Provincial Government and the Department of Housing were experiencing difficulties with regards to funding (as explained in Chapter 5.2 of this paper) amongst other things, and soon the deadline for the Gateway was extended again to December 2006⁸⁴. Richard Dyantyi, the MEC for Local Government and Housing, however assured the public at the time that the N2 Gateway was '*on track*' and that those responsible for the project had '*exceeded expectations*'⁸⁵. It was difficult for the public to digest his comments. The project had now been extended by a year and a half.

Phase 1 of the N2 Gateway project was finally completed in June 2006. The first phase incorporated various projects including infrastructure development and the establishment of Transitional Relocation Areas (TRA's – temporary houses). Only 705 housing units were, however, delivered in Phase One. According to the 'Briefing Document' that was given to those who attended the ceremony to celebrate the completion of Phase One, the housing officials

⁸³ Kipps, S. 2005. N2 Gateway Project – Record of Meeting held between the City, PMU and Vula Joint Venture on 14 November 2005. [Document written by Vula Joint Venture].

⁸⁴ Audit Committee Meeting, City of Cape Town, 2005. N2 Gateway. AUD 16A/06/05.

⁸⁵ Powell, A. 2006. Problems dog Gateway, but officials say project is 'on track'. In Cape Times, January 26.

responsible for the N2 Gateway had evaluated the lessons learned from Phase One and were ready to accelerate the implementation process. Those who spoke at the ceremony made it clear that the problems experienced in Phase One had been ironed out and that the future of the N2 Gateway was promising⁸⁶.

On the 31st December 2006 (the deadline for the project), only the 705 walk-up units had been completed. This effectively meant that after the project had been extended by over a year and a half, with the new deadline set for December 2006, only 3.2% of the Gateway initiative had been completed. The promises made by the politicians to the people of Cape Town had thus been broken. The N2 Gateway had simply not delivered on its promises. The latest available information shows that the N2 Gateway is now to be completed in March 2010⁸⁷. This date is four years and nine months after the initial delivery deadline.

The reasons for the 'broken promises' have been argued by many housing experts. Two common theories that are put forward are firstly, that housing officials were poorly advised and secondly, politicians were trying to secure support through making grand political statements (the local elections were taking place at the time)⁸⁸.

⁸⁶ Briefing document for the N2 Gateway Project. 2006. [Part of media pack handed out at the official launch of Phase 2 of the N2 Gateway Project].

⁸⁷ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

⁸⁸ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

Although the N2 Gateway project is a pilot project and errors and delays were expected, it seems unforgivable how politicians continued to make and break promises to the public. The government was developing a new strategy that had never been tested before. It would have made sense to put forward conservative objectives and time-frames, but the politicians in charge chose not to do this, as many believed (often through bad advice) that extra-ordinary results could be achieved. According to Peter Oscroft the problem lay with the immense size of the initiative, '*a pilot should be at a small scale - a project of some R3.2 billion is not really a pilot project!*'⁸⁹ If a smaller project had been planned there would have been fewer exaggerated promises.

The housing crisis in the Western Cape is severe and drastic action is needed. A conservative mindset and incremental processes were however needed when the planning for the N2 gateway began. This would have allowed problems to be sorted out more easily and better results would have been seen, without the need for making grand promises to the public. There was a drastic need for houses due to the major backlog and politicians wanted to address this issue, but a balance needed to be found⁹⁰.

The promises made by politicians didn't only extend to the deadlines for delivery of the N2 Gateway units. Promises over rental prices for the first phase of the project were also broken. The public was informed that the rental for the walkup units in the new Joe Slovo settlement '*would be between R165*

⁸⁹ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. Masters Thesis. [Personal email, 31 October] to Paul Blake (blkpau002@mail.uct.ac.za).

⁹⁰ Bregman, M. & Snyman, J. 2007. *Interview Material*. Interview conducted on May 4.

and R200 for small flats and R690 for larger units⁹¹. The rental figures have, however, increased, putting an added burden on those living in the settlement. In some instances, residents are now required to pay over a R1000 a month in rental⁹². The reason for this increase was because the construction costs for the units were greater than expected and thus in order to fill this financial gap, the rents had to be raised⁹³.

The Joe Slovo residents who were moved to Delft in order for the first phase of the N2 Gateway to be developed were also victims of failed promises. According to reports, they were informed that they would be relocated as soon as the construction was finished on the Joe Slovo site. When construction was completed many of the residents did not return to Joe Slovo. They either could not afford the rents or were reportedly placed lower down the waiting list⁹⁴. Many residents have thus had to remain in Delft and are unhappy with their new living conditions. Kwanele Giyama, a 'temporary resident' in Delft, said

You see, in these houses, when it's cold it gets really cold and it's hot it gets really hot. It's bad. We arrived here in June. There was no time plan, they just promised us they would move us when our houses are complete⁹⁵.

⁹¹ Hawker, D. 2006. Gateway integration. In Cape Argus. June 24.

⁹² Nzapheza, V. 2007. Dyantyi promises to fix Gateway houses. In Cape Times April 16.

⁹³ Baker, K. 2007. Interview Material. [Interview conducted on 25 May at the Wimpy in Somerset West].

⁹⁴ Engineering News. 2005. Local professionals describe N2 Gateway as 'expensive joke'. [Online] <http://www.engineeringnews.co.za/article> [Site accessed on 18 May 2007].

⁹⁵ Ndenze, B. 2006. Delft 'dumping ground of the unwanted'. In Cape Times, October 18.

In conclusion, the promises made by politicians have created serious problems for the Gateway project. It broke the trust between the public and those responsible for delivering the N2 Gateway project. This 'trust' is critical according to development experts⁹⁶. Communities need to be supportive of development projects if they are to be successful and the N2 Gateway initiative took a step 'backwards' when this trust was broken.

3.2 Financing the N2 Gateway

A great deal of controversy has surrounded the funding of the N2 Gateway. Newspaper headlines such as '*Fears over N2 Gateway project funding*⁹⁷', '*City admits Gateway cash crunch*⁹⁸ and '*No guarantee on N2 Gateway funds*⁹⁹ have meant there has been a great deal of speculation around the financing of the project.

3.2.1 The National Housing Subsidy System and the N2 Gateway

The slow progress of the N2 Gateway delivery has been due to many problems, one of the most important being the financial dilemma of the initiative. The first issue relating to the financial predicament has been the linking of the national housing subsidy system with the N2 Gateway project.

⁹⁶ Gittel, R & Videl, A. 1998. Community Organizing – Building Social Capital as a Development Strategy. Sage Publications, pp. 14-22.

⁹⁷ Dolley, C & Powell, A. Fears over N2 Gateway project funding. In Cape Times [date unknown].

⁹⁸ Powell, A. 2005. City admits Gateway cash crunch. In Cape Times, December 6.

⁹⁹ Bulelani, P. 2006. 'No guarantee on N2 Gateway funds. In Cape Argus, May 11.

The N2 Gateway project is a new initiative that is building houses (as well as community facilities) that are more expensive than the houses built in prior housing initiatives. This has necessitated an increase in the subsidy amount. However, the subsidy increase allocated for N2 Gateway initiative does not cover the cost of the new Breaking New Ground house¹⁰⁰. This has meant that not enough money has been set aside to build the new homes. According to Peter Oscroft, the City Council's Project Manager,

There was a total mis-alignment of existing policy with expectations for the finished product, which meant that the level of subsidy was totally inadequate for the house types expected¹⁰¹.

What this effectively meant was that the houses that were being built in the N2 Gateway were too costly for what the government had provided for. The government had thus made a fundamental error by aligning the existing subsidy policy with the new BNG strategy for the N2 Gateway Project. This has effectively meant that the budget for the N2 Gateway was incorrect from the very beginning. The background and reasons for this will now be explained.

The housing subsidy system was installed in 1994, with the introduction of the Housing White Paper, within the RDP framework¹⁰². There was considerable criticism of the manner in which South Africa came up with its subsidy policy

¹⁰⁰ Baker, K. 2006. Interview Material. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

¹⁰¹ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. Masters Thesis. [Personal email, 31 October] to Paul Blake (blkpau002@mail.uct.ac.za).

¹⁰² Department of Housing, 1994. *White Paper – A New Housing Policy and Strategy for South Africa*. pp. 1-57.

at the time. According to some critics, South Africa took very little advice from the World Bank and overseas experiences, and this they believe led to a great deal of problems¹⁰³. This said, however, the subsidy system proved to have been a fairly effective tool in housing delivery even though some problems have occurred.

The crux of the subsidy system is that it involves a once-off grant of money from the government to enable a person to purchase a house or flat. A person does not receive this money in cash but the government pays this money to whoever is building the house. The amount of money a person will be granted depends on their household income. It works on a sliding scale so that the less you earn, the more your housing grant will be and visa versa¹⁰⁴. At the present moment someone in the lowest earning bracket (earning between R0 and R1500) will receive a subsidy of R36 528. This figure, however, is insufficient according to housing officials at Thubelisha Homes (the project management company responsible for the N2 Gateway), and they thus have put forward a proposal for a new housing subsidy quantum. It proposes that someone earning between R0 and R1500 should receive R40 618.00.¹⁰⁵ This is the exact cost of a 30m² house (both for the serviced stand and the construction).

¹⁰³ Gilbert, A. 2001. 'Scan Globally; Reinvent Locally': Reflecting on the Origins of South Africa's Capital Housing Subsidy Policy. In *Urban Studies*, Vol. 39, No. 10. Carfax Publishing, pp. 1911-1933.

¹⁰⁴ Government Housing Subsidy. 2006. [Department of Housing, Western Cape – pamphlet].

¹⁰⁵ Subsidy quantum for 30m² houses in the 2006/2007 financial year. 2006. Department of Housing.

This new subsidy system from Thubelisha is a good strategy if the aim is just to build 30m² houses. This, however, is not the aim of the new BNG strategy, although as we will later learn the government has seemingly returned to its RDP roots¹⁰⁶.

The existing housing subsidy system does not comply with the new BNG strategy. The existing subsidy policy is based on building houses, which are around 30m² in size. The BNG strategy aims to build houses that are bigger than these, around 40m² in size. The BNG house is a better quality house compared to the RDP house¹⁰⁷. Each unit is 40m² in size and will contain 2 bedrooms, a lounge, kitchen with steel sink and a bathroom. It is obviously more expensive to build a BNG house compared to a RDP house but this was not taken into account when the N2 Gateway promises were made to the people. In Thubelisha's Business Plan it states that

...it has been recognized that the existing subsidy values are inadequate for the BNG strategy, and a review of the policy is underway¹⁰⁸.

According to Thubelisha's estimates, the cost of a 40m² BNG house is R77 574.00. This is made up of the cost of a serviced site (R22 608) and the amount needed for the raw materials and actual building of the house (R54 966). This is already clearly in excess of the existing subsidy grant of R36

¹⁰⁶ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

¹⁰⁷ New Homes, 2006. National Home Builders Registration Council. Cape Town, Mafube Publishing. pp. 16-19.

¹⁰⁸ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 36.

528. The R77 574 needed to build a BNG house does not include the BNG infrastructure (community facilities etc), which on its own amounts to roughly R64 000 per unit. This therefore means that the housing subsidy does not cover the cost of a new BNG house¹⁰⁹. The breakdown of these figures is given in the tables below.

| Table 7: Breakdown of Costs for N2 Gateway BNG House¹¹⁰ | |
|---|----------------------|
| Components | Cost in Rands |
| BNG House | 54966 |
| Serviced Stand | 22608 |
| BNG Infrastructure (social facilities, schools etc) | 64000 |
| Total Cost | 141574 |

At present, further funding and grants have been made available to boost the existing subsidy amount. These involve the SCCCA Grant, the Geo Tech

¹⁰⁹ Baker, K. 2006. Interview Material. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

¹¹⁰ Interview Material. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00 & Data from N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 35.

Variance, DME funding and MIG/EFF funding (definitions of abbreviations given on the following page). This extra funding has made a difference but there still not enough money to allow the existing subsidy system to comply with the new BNG strategy.

| Table 8: Subsidy Shortfall Breakdown¹¹¹ | |
|---|------------------------|
| Component | Amount in Rands |
| Subsidy | |
| Normal Subsidy | 36528 |
| SCCCA Grant (Southern Cape Coastal Condensation Area – extra money set aside to plaster and waterproof houses in Southern Cape) | 5614 |
| Geo Tech Variance (15% of subsidy – paid in the Cape because of extra variables in weather) | 5479 |
| DME and MIG/EFF Funding (Department of Mineral and Energy responsible for electrification and Municipal Infrastructure Grant to pay for bulk components) | 6752 |
| Total Subsidy | 54373 |
| | |
| Total Cost of BNG House | 141574 |
| | |
| Shortfall | 87201 |

¹¹¹ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

The funding of the BNG strategy therefore does not comply with the existing housing subsidy system, as the BNG subsidy formula is different to current housing subsidy formulas. According to the latest available N2 Gateway Business Plan¹¹², it is planned that BNG houses will be the primary typology to be used in the N2 Gateway initiative. The government needs to step in and amend the subsidy system if people are going to be able to afford a new BNG home.

At present the subsidy predicament leaves only two options: either fewer houses will be built or more funding is needed. For the N2 Gateway Project to succeed, in the terms of the politicians who are pushing the initiative, the government or the private sector needs to step in and come up with the money to fill this massive financial gap of nearly R90 000 per BNG unit. According to Thubelisha Homes, the solution lies with policy change and they want the government to step in and make policy changes in order to make up for the drastic difference in funding¹¹³.

3.2.2 Funding Shortfall

The magnitude of the N2 Gateway Project has meant that all three spheres of government are involved in the financing of the initiative. Due to its pilot nature, a huge amount of flexibility, with regards to budgets and existing housing programs has been demanded in an attempt to ensure housing delivery. The primary funders of the project are the National Department of

¹¹² N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

¹¹³ Baker, K. 2006. Interview Material. [Email Interview conducted on 26 November].

Housing (NDOH), the Provincial Department of Local Government and Housing and the City of Cape Town. Other major funders include the National Department of Mineral and Energy and the Provincial Departments of Education¹¹⁴.

This funding strategy has not met the needs of the project. Not enough money was set aside for the N2 Gateway to deliver on its 'promises' due to a misalignment of budgetary instruments¹¹⁵. Government funding is evaluated on a cyclical basis, making the large demand for money by the N2 Gateway project problematic. The existing housing budgets and allocation processes were not able to release enough funds to meet all the N2 requirements at the time¹¹⁶. Kevan Baker suggests that it was clear that the initiative was actually '*cash strapped from the start*'¹¹⁷.

One of the primary problems of the financing of the project was the overall budgeting of the initiative. Initially it was documented that around R1.8 billion was needed for the project¹¹⁸. At present, Thubelisha Homes has reviewed

¹¹⁴ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

¹¹⁵ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. N2 Gateway Project – Masters Thesis. [Personal email, 5 October] to Paul Blake (blkpau002@mail.uct.ac.za).

¹¹⁶ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. N2 Gateway Project – Masters Thesis. [Personal email, 5 October] to Paul Blake (blkpau002@mail.uct.ac.za).

¹¹⁷ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

¹¹⁸ Baker, K. 2006. Interview Material. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

this and estimate that R3.418 billion will be needed for the project¹¹⁹. The reason for this radical difference in funding is due to the incorrect implementation of the new BNG strategy (largely related to the subsidy issues mentioned earlier).

The City of Cape Town, through the project management of Cyberia, was the initial implementing agent of the N2 Gateway. The City obtains its funding for housing projects from the Province, which in turn obtains the funding from the National Government. The City of Cape Town in 2004, was annually allocated the equivalent of approximately 8000 housing subsidies¹²⁰.

The N2 Gateway project intended to provide 22 000 units by 30 June 2005. This effectively meant that the City of Cape Town needed around five times the amount of money they usually received for housing. This money was 'promised' by the National Department. Due to these promises that were made, the City of Cape Town went ahead with the consortiums on the assumption that the additional funding would be realized, but it never was¹²¹. In an attempt to raise funds, the City tried to raise a loan of around R1.5 - R1.8 billion. The city, however, did not have the authority to raise this loan. This effectively meant that the N2 Gateway was 'cash strapped'¹²².

¹¹⁹ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

¹²⁰ Ross, N. 2006. *Interview Material*. Interview conducted at his City of Cape Town Office in Constantia. June 23.

¹²¹ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. Masters Thesis. [Personal email, 31 October] to Paul Blake (blkpau002@mail.uct.ac.za).

¹²² Baker, K. 2006. *Interview Material*. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

The Cape Argus reported on 28 November 2005 that, Richard Dyantyi, the Local Government and Housing MEC, '*denied reports that the project was facing cash flow problems*'¹²³. Dyantyi and Nomaindia Mfeketo made it abundantly clear to the public that the rumours of financial problems were unfounded and that the N2 Gateway development was on track. In hindsight, this statement is hard to believe as by July 2006, only 705 units had been built, a far cry from the 22 000 units that were promised. This once again links back to the grand promises that were made to the public, which were then subsequently broken. Bridge funding will be sought to fund aspects of the project until grant funding is available from the government¹²⁴.

The Bulk and Link Infrastructure provision for the N2 Gateway is a clear example of misalignment of budget instruments that have been discussed in this paper. Municipal Infrastructure Grants (MIG) and External Financing Funds (EFF) were identified as the funding sources for the Bulk and Link Infrastructure. According to the latest figures, R126 million is the total cost estimate for the Bulk and Link Infrastructure for the Gateway development. The MIG and EFF funding can, however, only supply R84 million, which thus creates a shortfall of R42 million¹²⁵.

¹²³ Essop, P. 2005. Dyantyi denies cash woe for N2 Gateway. In Cape Argus, November 28.

¹²⁴ Ross, N. 2006. *Interview Material*. Interview conducted at his City of Cape Town Office in Constantia. June 23.

¹²⁵ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 36-40.

| Table 9: Bulk and Link Infrastructure Expenditure¹²⁶ | | | |
|---|---|--|---------------------------|
| Transportation, Water and Sanitation link services within projects | Total project cost estimate (R MILL) | Standard MIG and EFF grant allowance (R MILL) | SHORTFALL (R MILL) |
| Joe Slovo | R 16 | R 11 | R 4 |
| Delft 7-9 | R 24 | R 14 | R 11 |
| Delft Symphony | R 31 | R 23 | R 8 |
| Boys Town | R 4 | R 4 | |
| New Rest | R 1 | R 1 | |
| Sub-total | R 77 | R 53 | R 24 |
| Blue Downs 1892 | R 10 | R 7 | R 4 |
| Wingfield | R 39 | R 25 | R 14 |
| Total | R 126 | R 84 | R 42 |

The reason for the R42 million shortfall is due to the fact that the standard grant allowances are not in tune with the new BNG standards. This situation is virtually identical to the subsidy problem and it shows a clear lack of planning on behalf of those responsible for the N2 Gateway project. Promises were made to the public but once again the research behind these promises was incorrect.

¹²⁶ Data from N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 38.

3.2.3 Transitional Relocation Areas

Transitional Relocation Areas are settlements made up of temporary houses that are used to house people on a temporary basis. People are moved here while infrastructure is built on the land that they were previously living on¹²⁷. 3550 Transitional Relocation Areas are required for the N2 Gateway. The TRA requirement is relatively high due to the fast-track nature of the development.

The City of Cape Town was initially responsible for this 'emergency housing' service. It was, however, discovered that the City did not have the resources or the budget to provide this service and relied on consortia to provide the TRA's at additional costs. The maintenance of the TRA's was also not accounted for in the initial Gateway budget. According to Thubelisha, the cost to maintain a TRA is estimated at around R100 per month. The cost therefore to maintain all the TRA's (other than normal municipal services that are provided for by the city) in one year is estimated at around R4.26 million¹²⁸.

¹²⁷ Ndenze, B. 2006. Delft 'dumping ground of the unwanted'. In Cape Times, October 18.

¹²⁸ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 41.

Illustration 3: Aerial photograph of a TRA Settlement in Delft¹²⁹



Illustration 4: Delft TRA Units¹³⁰



The original Business Plan for the N2 Gateway included the costs for the establishment of the TRA's, but did not take into account the expense incurred in order to remove such structures. The TRA's, once used have to be

¹²⁹ N2 Gateway Project – Overview. 2005. Produced by Thubelisha Homes. [PowerPoint Presentation].

¹³⁰ N2 Gateway Overview 2006. Produced for National Department of Housing. [PowerPoint Presentation].

removed and often the land that they were built on, needs to be rehabilitated at a cost. It is estimated that this will cost around R3000 for each TRA. This increased the N2 Gateway budget by R10.65 million.

| Table 10: Transitional Relocation Areas³¹ | | | |
|---|------------------------|------------------------|-------------------------|
| Expenses | Number of Units | Cost (In Rands) | Total |
| Establishment | 3550 | R 23,000 | R 81,650,000.00 |
| Removal | 3550 | R 3,000 | R 10,650,000.00 |
| Maintenance | | | R 19,700,000.00 |
| Total | | | R 112,000,000.00 |

The initial budget for the N2 Gateway did not include the TRA removal and maintenance expenses (highlighted in the table above). These expenses amount to R30.35 million and have been included in the latest Business Plan (September 2006). The initial budget for the TRA's was therefore way below what was actually needed and this has led to problems and time delays.

³¹ Data from N2 Gateway Business Plan September 2006. Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 35 & 41.

3.3 Time Delays

The time delays of the N2 Gateway project have occurred for numerous reasons. In essence, however, one common thread runs throughout the entire process. Politicians wanted to achieve goals, which were grand in nature. This desire, however, caused officials to become more conservative with regards to the decisions that they have to make. Politicians pushed for fast tracked delivery and urgent time frames, but this urgency ultimately had a negative effect on the project¹³². The reasons for this will now be explained.

3.3.1 PFMA and MFMA problems

The Procurement Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) are Acts that have been enforced by the government to prevent corruption and fraud within the public sector. These Acts are extremely useful and are desperately needed. The concept behind the Acts is that a person signing any document relating to a government project is held personally responsible for the consequences of that document. This therefore prevents people from laundering money as they are held personally accountable. This is incredibly important as it is a direct means of curtailing corruption. The Acts have, however, caused problems, which have resulted in time delays for the Gateway development¹³³.

¹³² Winfield, M. 2006. A Living Space for All. The Political Vision. Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 1-8.

¹³³ Baker, K. 2006. Interview Material. [Email Interview conducted on 26 November].

PFMA and MFMA regulations cause a person to take personal responsibility for the consequences of signing off a document. Those signing the document will ensure that they have checked all legal parameters prior to signing the document. In order for a person to do this a number of processes have to be adhered to and this is a lengthy process from a practical point of view and every individual that has to sign will ensure that he or she has checked all possible variables before signing.

The PFMA and the MFMA do not cause time delays but the problem lies with the interpretation of these acts, according to Baker. The different variables involved and varying interpretations of the acts cause a great deal of confusion and ultimately lead to time delays. In the case of the N2 Gateway, the laws and acts governing the conduits for funding are not properly understood by all those involved in the funding process, which therefore resulted in serious time delays. This has effectively meant that the time frames set by the politicians could not be adhered to¹³⁴.

Kevan Baker stated that,

...not even the politicians understand what the effect of a public statement has on the programme and also the legalities surrounding the process necessary to implement the promise or promises made by these statements with regard to the time frames¹³⁵.

¹³⁴ Baker, K. 2006. Interview Material. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19.00.

¹³⁵ Baker, K. 2006. Interview Material. [Email Interview conducted on 26 November].

Politicians placed immense pressure on housing officials to deliver. They did this by making grand delivery promises to the public without having adequate knowledge of the processes involved. Ironically, this pressure actually delayed the delivery of the N2 Gateway project.

3.4 N2 Gateway and Consortiums

3.4.1 Bids

The bidding process during the N2 Gateway project was fraught with problems. Bids were reportedly retracted and re-advertised, which according to those in the construction industry, constituted unprofessional practices¹³⁶. Bids were also advertised during the Christmas/New Year Break (2004), when consortiums traditionally do not conduct business. This created much confusion amongst the consortiums¹³⁷.

When bids were accepted it was apparent that the *City officials and their advisors had had little or no experience of turnkey contracts*¹³⁸. Turnkey contracts* place a great amount of responsibility on consortiums as these companies are responsible for the development from the planning to the delivery phase. In the case of the N2 Gateway, however, the consortiums

¹³⁶ Winfield, M. 2006. *Interview Material*. [Interview conducted at Murray & East on 25 September 2006]

¹³⁷ Baker, K. 2006. *Interview Material*. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

¹³⁸ Winfield, M. 2006. *A Living Space for All*. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 5.

* A contract for a project in which the developer takes on a wide scope of responsibility to plan, design, build and deliver a complete development within parameters set by the client body.

were not allowed to exercise this 'authority' as the housing bodies were too involved in the process and wouldn't allow the consortiums to 'honour' the 'turnkey concept'. An example of this was the fact that the City had organized their own staff to plan and design some developments, when this was actually the consortiums responsibility in terms of a turnkey contract. This caused much tension and misunderstanding on behalf of the consortiums. The Turnkey Contractors requested contract documents to protect the interests of the Client and Turnkey Contractor alike. Due to the financial issues mentioned before, no contracts were signed and only Letters of Appointment existed (this will be discussed in Chapter 5.4.2). This created much confusion and led to much abortive work¹³⁹.

3.4.2 Awarding of Tenders and Contracts

Numerous problems have surrounded the contractual arrangements with the consortiums responsible for delivering the N2 Gateway project. The following development consortiums were 'employed' to deliver the infrastructure for the N2 Gateway: Sobambisana, Vula Joint Venture, Bahlodi/Maluleke/Luthuli Consortium and Ibuyile Development¹⁴⁰.

Advisor to the Minister of Housing, Mr Saths Moodley, made it abundantly clear at a briefing meeting on 10 January 2005 that *sufficient funding was*

¹³⁹ Winfield, M. 2006. *A Living Space for All*. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 1-8.

¹⁴⁰ N2 Gateway Project: Overview. 2004. PowerPoint Presentation, pp. 1-40.

*available and that no bridging finance would be required from the Turnkey Contractors*¹⁴¹.

The consortiums responsible for the N2 Gateway construction accepted their appointment with the understanding that funds were both approved and had been released. This, however, was not correct despite Mr Moodley's statement. Keith Sipoyo, spokesman for Ibuyile consortium, records his attendance at a meeting with City officials after the consortium had been appointed. 'Three consortiums (involved in the N2 Gateway) were called to the 22nd floor of the civic centre where they were told by officials that only R300m was available for all three consortiums'¹⁴². This figure of R300m was considerably short of the R1.2 billion that was originally budgeted for the N2 Gateway project at the time.

This shortfall in funding effectively meant that contracts could not be concluded as the city could not sign off on contracts for which they did not have the money¹⁴³. City regulations hold Cape Town City officials personally accountable for the contracts they sign (refer to Chapter 5.3 for explanation). Understandably City officials were unwilling to sign contracts. This contractual issue was incredibly problematic as projects had to be re-prioritized based on the funding that was available.

¹⁴¹ Winfield, M. 2006. A Living Space for All. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 1-8.

¹⁴² Powell, A. 2006. Problems dog Gateway, but officials say project is 'on track'. In Cape Times, January 26

¹⁴³ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006 Masters Thesis. [Personal email, 31 October] to Paul Blake (blkpau002@mail.uct.ac.za).

*The City advised that as a result of cashflow problems which existed, relating to the funding of the N2 Gateway Projects, it was necessary to review the projects that were currently in progress*¹⁴⁴.

The lack of funding was not the only issue that led to contracts not being signed. Some contractors and the City could not come to agreement on pricing issues. The City wanted consortiums to lower their prices in accordance with the available housing subsidy regime (as discussed in Chapter 5.2.1). Ibuyile was the only consortium to agree to the requested cost changes¹⁴⁵. The other consortiums said they were unable to reduce their prices to bring them within the housing subsidy regime. This caused further problems and delays.

The delays in releasing money to the consortiums for work completed caused much dissatisfaction on behalf of the construction companies involved with the project. Minutes entitled 'N2 Gateway-Symphony Way community', record that the building contractors '*worked at risk*' for six weeks' and a consortium '*experienced a delay in terms of [payment of] its claims to council for work done*'¹⁴⁶.

Two further examples illustrate the extent of the consequences of the funding problems incurred in the Gateway initiative. Firstly, Vula Joint Venture noted that since its receipt of its Letter of Appointment from the city for the Boys

¹⁴⁴ Kipps, S. 2005. N2 Gateway Project – Record of Meeting held between the City, PMU and Vula Joint Venture on 14 November 2005. [Document written by Vula Joint Venture].

¹⁴⁵ Memorandum. 2006. The potential liability of the City of Cape Town: N2 Gateway Project. March 2006. Cheadle Thompson & Haysom Inc. Attorneys.

¹⁴⁶ Powell, A. 2006. Problems dog Gateway, but officials say project is 'on track'. In Cape Times, January 26.

Town project seven months previously, not one payment had been made to them¹⁴⁷. Secondly, Sobambisana consortium reported that they experienced problems in respect of paying the subcontractors employed by them. Workers working for the subcontractors were being underpaid as the city did not have enough money to pay the consortiums.

Workers are being underpaid every fortnight. For example, some workers are meant to get paid about R1800 every fortnight, but they only get R700. In other cases, sub-contractors only receive R4 000 when they have to pay wages in excess of R18 000¹⁴⁸.

Contractors were given their mandates once Letters of Appointment were signed, and were given permission to start construction. The drafting of these documents was, however, done in a rushed manner to meet an unrealistic deadline and was therefore sub-standard. The scope of the work was thus not clearly defined and the technical content of the documents was insufficient¹⁴⁹.

The plans for the N2 Gateway changed a number of times after the appointment of the panel of Turnkey Contractors, causing delays and abortive costs. The total for all the abortive work, loss of profit and overhead costs for the contractors amounted to R56 million (this amount could have been used to construct around 720 BNG houses). The City had only paid R6.5 million, for

¹⁴⁷ Kipps, S. 2005. N2 Gateway Project – Record of Meeting held between the City, PMU and Vula Joint Venture on 14 November 2005. [Document written by Vula Joint Venture].

¹⁴⁸ Bulelani, P. 2005. Gateway allocation row drags on. In *Entoe?* August 4.

¹⁴⁹ Winfield, M. 2006. A Living Space for All. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 1-8

abortive work, to the consortiums by 26 June 2006 ¹⁵⁰ (no further information on this issue was available when the dissertation was submitted).

3.5 Political Issues

The N2 Gateway Project has been and is marked by political and power struggles amongst those responsible for delivering the project. The relationship between the three tiers of government has caused severe problems for the Gateway initiative.

The City of Cape Town was accused of using the N2 Gateway as a 'political football' and was eventually stripped of its responsibilities* by the national government in 2006. Interestingly, this was done on the day before the local elections, when an agreement was signed with Thubelisha Homes. This effectively placed the next phase of the project in the hands of the provincial and national government. This meant that when the DA came to power in March 2006, the project had 'already' been taken out of their hands. Helen Zille made this clear, by saying that although they were now officially taken off the project, this process had already taken place prior to the elections ¹⁵¹.

All the indications are that the ANC led local government, prior to DA coming into office, was not managing the N2 Gateway correctly. It could be argued

¹⁵⁰ N2 Gateway. 2006. Housing Strategy Committee. June 26.

* The City is still responsible for delivering basic services and is thus not totally removed from the project

¹⁵¹ Powell, A. 2006. City kicked off Gateway project. Cape Times. June 13

that the defeat of the ANC and the length of time in which it took to the DA to secure a coalition government obscured this incapacity of the previous ANC city council. This could have led to the interpretation both by commentators and party affiliates that the removal of the City of Cape Town off the project was directly related to the ANC 'losing' the City.

It is clear from the above information that trying to get the three levels of government to work together was problematic from the start due to the 'political opportunism' that was involved¹⁵². Some have even gone as far, like DA leader, Kent Morkel, to suggest that 'the N2 Gateway project must be the biggest political blunder that has happened in this city so far'¹⁵³.

Mike Winfield, from the Martin & East consortium, argues from a micro level and suggests that the politicians can be blamed for many of the problems relating to the N2 Gateway initiative. He argues that the politicians took over the traditional roles of the technical officials, a role which they do not normally have the qualifications to fulfill. Examples of this were firstly, that politicians effectively 'programmed' the project by setting deadlines. An illustration of this was the way in which Nomaindia Mfeketo made delivery promises to the people¹⁵⁴. Secondly, politicians made decisions on the subsidy processes, which were not theirs to make. Thirdly, the politicians introduced a fast-

¹⁵² Marrs, D. 2005. Quick Fixes will not ease Cape's Housing Crisis. In Business Day. March 14

¹⁵³ Scott, J. 2005. A day when Mayor Mfeketo was called to order from the gallery. In Entoe? June 1.

¹⁵⁴ Engineering News. 2005. 'Hopelessly Flawed?' – Local professionals describe Cape Town planning as 'expensive joke'. November, pp. 11-17.

tracking approval process without properly understanding the existing housing regulations, governing the housing delivery process. Finally, the politicians made public announcements and decisions on funding sources, which were not theirs to make.

Winfield suggests that the political vision of the politicians set '*unrealistic deadlines/targets that the delivery mechanism could not meet*'. The idea and the concept to deliver houses on a fast track basis was something that was sorely needed but Winfield suggests that the manner in which the process was put into practice was incorrect¹⁵⁵.

Nick Graham's work on informal settlement upgrading in Cape Town agrees with Winfield's assessment and makes an important point with regards to the political issues that are present when dealing with current housing projects. He argues that under apartheid a great deal of power was invested in built environment professionals (planners, architects and engineers) who would plan and shape cities in a technocratic manner. Over time, however, this power has shifted dramatically into the political sphere. This is highlighted in a quote from an unnamed city official, commenting on the state of Cape Town's informal settlements¹⁵⁶.

¹⁵⁵ Winfield, M. 2006. A Living Space for All. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project, pp. 1-8.

¹⁵⁶ Graham, N. 2004. Informal Settlement Upgrading in Cape Town: Challenges, constraints and contradiction within local government. University of Oxford, School of Geography and the Environment. <http://www.wits.ac.za/informalsettlements/Nick%20Graham.pdf>.

*All this mess is because of high-handed decision making. Fifteen years ago it was the officials who were high-handed and got taken to task about it. Now the politicians are doing it.*¹⁵⁷

The struggle for power between officials and politicians has clearly had a negative influence on the Gateway project.

The politics within informal settlements has also caused major problems for the N2 Gateway. Due to bad policing, unemployment and crime, individuals known as shacklords ('traditional gatekeepers'), have been able to assume positions of power within informal settlements and have a major influence on community life¹⁵⁸.

In informal settlements where shacklords are present, it is common for them to be responsible for service delivery due to their power and control over the community. Shacklords '*exploit grievances and tensions within the community to undermine their authority [of newly elected leaders and housing institutions] and sabotage public development projects*'¹⁵⁹. These power struggles between shacklords, their communities, police and local government officials has hampered development initiatives. In the case of the N2 Gateway this has had a negative effect as city officials have struggled to command a strong

¹⁵⁷ Graham, N. 2004. Informal Settlement Upgrading in Cape Town: Changes, constraints and contradiction within local government. University of Oxford, School of Geography and the Environment. <http://www.wits.ac.za/informalsettlements/Nick%20Graham.pdf>.

¹⁵⁸ Cross, C. 2005. HSRC Review: The Battle for Crossroads: The return of the shacklords. <http://www.hsrc.ac.za/index>.

¹⁵⁹ Turok, i & Watson, V. 2001. Divergent Development in South African Cities: Strategic Challenges Facing Cape Town. In Urban Forum, pp. 119-138.

influence and presence in the communities, thus hindering housing research and its delivery.

3.6 Communication

The N2 Gateway project, being a pilot initiative, comprises a number of new concepts and strategies. One of the most significant of these is the idea of involving all three spheres of government in the project. The successful implementation of the N2 Gateway project depends on the close cooperation and clear communication between the three tiers of government¹⁶⁰. This project would test and assess the capacity of the spheres of government to work both 'vertically' and 'horizontally'. The media's assessment of this capacity is clearly very negative. One only needs to read a headline of the Cape Times on 13 June 2006 – '*City kicked off Gateway project*'¹⁶¹, a clear sign that the three tiers could not work together. The primary cause of this problem was the politics (mentioned in Chapter 5.5) and lack of proper communication between the different parties involved¹⁶².

Transparent communication between the three tiers of government and the public was a crucial in order for the N2 Gateway project to run smoothly. Councilor Ross from the Democratic Alliance has, however, argued that throughout the early stages of the N2 Gateway there was a lack of

¹⁶⁰ Briefing document for the N2 Gateway Project, 2006. [Part of media pack handed out at the official launch of Phase 2 of the N2 Gateway Project].

¹⁶¹ Powell, A. 2006. City kicked off Gateway project. Cape Times. June 13.

¹⁶² Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West]

transparency, with regards to the decision-making and communicating processes¹⁶³. Decisions were taken without much consultation, as the government wanted to fast track the housing process. Many decisions were reportedly made via private cell phone calls and emails¹⁶⁴. The 'fast track' approach was taken, so that the government could be seen to be delivering houses to the people. This, however, resulted in a 'very top-down' approach, with decisions being made by a select few, resulting in much unhappiness from the people on the ground¹⁶⁵.

It could be argued that one of the key factors causing the communication problems is directly related to the tight time frames placed on the N2 Gateway project. It not only 'imposed' practices of cell phone communication rather than paper communication but it also affected communication between the public and the government; and amongst the three tiers of government that were meant to be working together. Decisions were forced to be made quickly and therefore a participatory approach was not adopted. Evidence of this was seen during the planning phase when it was thought that more people could afford to rent units, when this was clearly not the case (Chapter 5.8).

The lack of communication upset many communities. Parties involved in the decision-making processes, did not make information readily available to the

¹⁶³ Ross, N. 2004/2005/2006. N2 Gateway Notes. [Unpublished personal documents].

¹⁶⁴ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4

¹⁶⁵ Smit, Warren (Warrens@dag.org.za) 2006. Masters Tnesis – N2 Gateway. [Personal Email, 30 October] to Paul Blake (blkpau002@mail.uct.ac.za).

public resulting in the perpetuation of escalating expectations and the breaking of promises¹⁶⁶.

3.7 Allocation Process

The demand for housing has been and is a major political issue in South Africa. This is directly related to the significant perhaps best termed overwhelming housing backlog; the current rate of urbanization; the absence or low income of those seeking shelter and the inability of local authorities to deliver houses either of quality and/or in quantity¹⁶⁷.

The scale of the social housing need that the South African government must address is greater than that faced by any western government. The government has been able to deliver 1.7 million houses since 1994, which is an achievement ('unparalleled internationally'¹⁶⁸), but the demand for houses still outweighs the supply. The waiting list for housing in South Africa has grown exponentially¹⁶⁹.

¹⁶⁶ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

¹⁶⁷ Simons, M. 2007. Interview Material. Interview conducted on 10 May.

¹⁶⁸ Rust, K. 2006. Analysis of South Africa's Housing Sector Performance – FinMark Trust. <http://www.finmarktrust.org.za/documents/2007/March/Hsectoranalysis.pdf> Website accessed on 14 May 2007. pp. 7.

¹⁶⁹ Rust, K. 2005. The Waiting Game: in the queue for housing subsidies. [Online]. Available: <http://www.affordablehousinginstitute.org> [2006. September 28].

The shortfall of housing in the Western Cape was 162 371 houses in 1994¹⁷⁰. By 2005, the government had built 210 118 houses in the Western Cape¹⁷¹. This delivery should have negated the backlog figures of 1994 but at present the Western Cape still has a backlog of 320 000. This backlog can be partially attributed to the 48 000 people who arrive in the province on an annual basis in search of work, access to education and access to health care. The Western Cape's budget only allows the province to build 18 000 houses per year¹⁷². If the restriction on building more units is retained and this trend continues, the housing backlog will be over 600 000 by 2016*. These figures do not take into account the fact that housing quality has also deteriorated over time and that even more houses will be needed to replace those, which have collapsed. The issue of who is first in line to receive a government subsidized home is thus of major importance to many South Africans.

The history of South Africa has caused the creation of a housing waiting list to become complicated and highly politicized. Coloured people were given preferential treatment in the Western Cape, which resulted in the fact that no complete black housing lists exist and therefore it is difficult for the government to determine whose housing needs should be addressed first.

¹⁷⁰ Khan, F & Thring, P. 2003. *Housing Policy and Practice in Post-Apartheid South Africa*. Sandown, Heinemann Publishers (Pty) Ltd, pp. 1-132.

¹⁷¹ South Africa Survey 2004/2005. Johannesburg, South African Institute of Race Relations, pp. 383-457.

¹⁷² Business Day. 2006. BBC in pictures leaving Cape Town Shacks. June 28, 2006.

* Figures worked out by Paul Blake. May 12 2007.

The fact that there are also numerous housing waiting lists has also added to this problem¹⁷³.

All housing information needed to be combined into one list in order to be fair to all possible beneficiaries. The problem caused by pooling data and creating one list is that how do officials decide what order people will be placed on this list. An example of this is seen in Cynthia Nosipho Bokwe's story. Cynthia and her four children have spent 31 years in a one-bed roomed hostel. In 1981 she applied for a government subsidized house but as of yet, nothing has changed for her. How does someone decide whether Cynthia's claim should be answered before someone else's, as there are thousands of people with similar stories to Cynthia¹⁷⁴ Thubelisha, have seemingly come up with a solution to this problem and it is discussed in Chapter 5.7.1 and Chapter 6¹⁷⁵.

3.7.1 The Beneficiaries

The N2 Gateway will benefit around 100 000 people¹⁷⁶. The database list for the recipients was sourced from three locations. Firstly, the housing waiting lists from areas surrounding the N2 Gateway. Secondly, a database put together from a survey of the targeted informal settlements for the N2

¹⁷³ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

¹⁷⁴ Essop, P. 2006. After 31 years in hostel, family overjoyed with new house'. In Cape Argus, July 19.

¹⁷⁵ Baker, K. 2006. *Interview Material*. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

¹⁷⁶ Gophe, M. 2005. Cape Gateway needs more land for housing. In Cape Argus, November 13.

Gateway. Thirdly, a list of people waiting for houses in Delft who could not be accommodated¹⁷⁷.

The allocation policy for the Gateway states that 70% of the units will be given to people living in shacks in the targeted settlements, while the other 30% will be given to backyard dwellers from the 10 areas surrounding these communities¹⁷⁸.

The N2 Gateway allocation strategy explained above has been fraught with criticism and controversy. The first problem was that there was a multiplicity of waiting lists. This was extremely problematic as it created major confusion as to who was eligible for housing. These housing lists were thus consolidated into one waiting list and this was done by two independent companies, Price Waterhouse Coopers (PWC) and Nkonki¹⁷⁹. The idea behind creating one single database, according to Kevan Baker, was that a 'filtration' system could be applied to the list so that it could filter people from those who needed a house the most, to those that needed a house the least¹⁸⁰. At present, this 'filtration' concept has not yet been approved¹⁸¹.

¹⁷⁷ Bulelani, P. 2005. Gateway move put off until September. In Cape Argus July 12.

¹⁷⁸ Mfeketo, N. 2005. *N2 Gateway Briefing Document*. [Minister of Housing Briefing on Housing Media Event]. February 14

¹⁷⁹ Briefing document for the N2 Gateway Project. 2006. [Part of media pack handed out at the official launch of Phase 2 of the N2 Gateway Project]

¹⁸⁰ Baker, K. 2006. Interview Material. Interview conducted at Thube isha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

¹⁸¹ Baker, K. 2007. *Interview Material*. [Interview conducted on 8 May at the Wimpy in Somerset West].

The majority of stakeholders accepted the concept of merging all past waiting lists into one single list but this was problematic due to the research methods that were used to compile it. Added to the waiting lists that already existed, a survey was conducted to determine the housing needs of the targeted informal settlements. This survey was a 'census type' survey that gave household details such as income levels, number of dependants and employment statuses. This survey was, however, done during the December holidays, when the majority of the residents were in the Eastern Cape¹⁸². This was extremely problematic as this meant that the data that was captured was insufficient and incomplete. When Peter Oscroft was questioned on this 'error', he put the 'blame' on the politicized nature of the process¹⁸³. Time frames had been installed by politicians and needed to be met, causing the survey to be conducted at the incorrect time.

Mike Winfield argues that the 'census problem' was a clear case of politicians taking over the traditional roles of technical officials, which was commonly seen during the planning and early implementation phase of the N2 Gateway initiative¹⁸⁴.

¹⁸² Ross, N. 2006. *Interview Material*. Interview conducted at his City of Cape Town Office in Constantia. June 23.

¹⁸³ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. N2 Gateway Project – Masters Thesis. [Personal email, 5 October] to Paul Blake (blkpau002@mail.uct.ac.za).

¹⁸⁴ Winfield, M. 2006. *A Living Space for All. The Political Vision, Delivery Mechanisms and Social Needs influencing the N2 Gateway Project*, pp. 1-8.

At present Thubelisha Homes is responsible for the allocation process and according to their latest Business Plan that have put forward a strategy to combat the allocation problems experienced above (Chapter 6).

3.8 The Joe Slovo Problem

The first phase of the N2 Gateway project, which saw the erection of 705 walk-up rental units, was handed over in June 2006. It was built on land previously inhabited by those living in the Joe Slovo informal settlement. Due to a fire in the settlement, prior to any construction on N2 Gateway project, many of the residents lost their homes¹⁸⁵. These people were relocated to temporary housing facilities (TRA's) in Delft and were given the impression that they could return to the land they previously occupied once construction (of the rental units) had been completed. This did not turn out to be the case, as this paper has already discussed (Chapter 5.1) and the Joe Slovo settlement became a site of great controversy.

The quality of the walkup units delivered in the first phase of the Gateway Project has been highly contentious issue. Since residents have moved in to 'Phase 1' of the Gateway project, the Rental Tribunal Office in Cape Town has been *'inundated with complaints'* from residents. Riedwaan Davids, the N2 Gateway's project manager, who is employed by Thubelisha, has said that they have attended to about 1000 complaints (at least one per tenant)¹⁸⁶.

¹⁸⁵ City of Cape Town, 2005. Langa, Joe Slovo Fires – Hope for Fire Victims. [Online] <http://www.capetown.gov.za/press/Newpress> [Site accessed on 22 May 2007].

¹⁸⁶ Social Housing Foundation News. 2007. N2 Gateway: Things Fall Apart. March, 23.

Commenting on the construction quality of the units, an engineer, who wants to remain anonymous, said that the workmanship for the Joe Slovo settlement was '*shocking and substandard*'.

Some walls are one brick-layer thick and if an adult runs into it, it could collapse. Some of the building work done is simply done wrongly and cannot be fixed – it will have to be rebuilt. I'm seeing cracks that one should only start seeing after three or four years. Corners were cut; the builders were probably in a hurry and I'm guessing there was very little supervision happening while the building was in progress¹⁸⁷.

In response to the complaints raised by residents, Local Government and Housing MEC, Richard Dyantyi, agreed that the some of the work done in Phase 1 of the N2 Gateway was sub-standard. He asked for patience from the residents so that the problems and structural defects could be sorted out¹⁸⁸.

¹⁸⁷ Joubert, P. 2007. N2 Gateway. things fall apart. In Mail & Guardian. March, 24.

¹⁸⁸ Nzapheza, V. 2007. Dyantyi promises to fix Gateway houses. In Cape Times April 16.

Illustration 5: An example of the walkup units in Joe Slovo¹⁸⁹



When the first phase of the N2 Gateway was handed over, a glamorous media event was held to celebrate the occasion. For this event, the Minister of Housing, Lindiwe Sisulu, asked for the 'maintenance house' on the site to be converted into a crèche for the handover ceremony (for aesthetic purposes). This was duly done even though the cost was over R100 000 as children's play equipment, pictures and new flooring had to be set up. This crèche would, however, never be used. It was situated directly below large power cables, a health risk for the children that would use it and therefore it was never opened. No replacement crèche has been set up¹⁹⁰. Added to this crèche issue, very few community facilities have been set up in the

¹⁸⁹ N2 Gateway Overview. 2006. Produced for National Department of Housing. [PowerPoint Presentation].

¹⁹⁰ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

settlement, showing once again how the BNG strategy has not been properly implemented.

The construction plans for the Joe Slovo settlement were also problematic. According to Kevan Baker, there was a misunderstanding between the consortiums and the housing officials on the 'make-up' of some of the walkup units. Due to a typing error in the planning document, some units were built as three roomed flats instead of three bed-roomed units. This was problematic as tenants who had applied for three bed-roomed units would not have enough bedrooms for their families. This dilemma was solved through the construction of dry walls. This problem once again showed the challenging nature of the N2 Gateway Project¹⁹¹.

Another problematic issue relating to the Joe Slovo settlement involves the roofs of the settlement. Minister Sisulu ordered the roofs of the walkup units to be painted red as she had seen them painted red in the illustrated plans. The roofs, however, were purposefully not painted red as they were constructed out of a special material used to reflect heat, which would thus keep the units cool. The Minister, however, overruled this and many of the roofs were painted red, adding to the expense of the Joe Slovo settlement.¹⁹²

¹⁹¹ Baker, K. 2007. Interview Material. [Interview conducted on 25 May at the Wimpy in Somerset West].

¹⁹² Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 24].

3.9 Cyberia

The N2 Gateway project management contract was awarded to Johannesburg-based Cyberia Technologies in 2004. This was a highly controversial appointment and many have argued that the appointment of Cyberia has led to many problems for the Gateway project¹⁹³.

According to a July 2004 report to the city manager, it was recommended that the UAI Consortium, headed by Africon, be given the tender for the project management position. This would be at a tendered price of just over R3.5 million. In December 2004, this line of thinking changed and Cyberia was granted the tender for the N2 Gateway for a total cost of R5 million¹⁹⁴. The reason for this change is still under investigation and no concrete answers have been found as to why Cyberia received the tender ahead of UAI Consortium. (The results from the forensic audit were still outstanding when the dissertation was submitted¹⁹⁵)

Councilor Neil Ross, chairman of the housing portfolio committee, has publicly indicated that '*Cyberia did not comply with either the financial or technical criteria required to win a tender*'¹⁹⁶. Another reporter commented that '*Cyberia was not the tender evaluator's choice and was originally the sixth-listed bidder*

¹⁹³ Ross, N. 2007. Interview Material. Interview conducted at his City of Cape Town Office in Constantia. April 20.

¹⁹⁴ Powell, A. 2006. Legal opinion given to Sisulu questioned Gateway contract. In Cape Times, June 23.

¹⁹⁵ Powell, A. 2007. Forensic audit still outstanding after a year. In Cape Times, May 28.

¹⁹⁶ Powell, A. 2006. Another city tender scandal. In Cape Times, April 12.

*before being mysteriously bumped up*¹⁹⁷. Cyberia's experience was in Information Technology and had very little knowledge of public sector initiatives. According to Jac Snyman, they had '*never run a housing project before*'.¹⁹⁸

Peter Oscroft, project co-ordinator of the city, informed the director of finance Ike Nxedlana in a confidential email that

*On the basis of Cyberia's submission... the adjudication committee did not consider Cyberia sufficiently experienced in the housing and infrastructure field to consider them beyond the first stage and therefore did not open their financial proposal*¹⁹⁹.

Cyberia, however, received the tender through a 'closed tender process', the final decision being made to accept Cyberia by The Councils Goods Services & Properties Advisory Committee²⁰⁰.

According to Ian Neilson, mayoral committee member for finance

*...there was an instruction somewhere along the line, we are not yet sure where, that tender evaluation reports should not include recommendations*²⁰¹

¹⁹⁷ Thamm, M. 2006. Hiccups in grand housing design. In Mail & Guardian. June, 30.

¹⁹⁸ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

¹⁹⁹ Powell, A. 2006. Another city tender scandal. In Cape Times, April 12.

²⁰⁰ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2007. N2 Gateway Project – Masters Thesis. [Personal email, 12 April] to Paul Blake (blkpau002@mail.uct.ac.za).

²⁰¹ Cape Argus, 2006. Probe into multi-million rand city tender deals granted without council approval. [Online] http://www.i2b.co.za/Construction_News/Article/Article [Site accessed on 22 May 2007].

This meant that without recommendations, the adjudication committee could ignore the findings made by the evaluation committee, who had recommended UAI Consortium.

Handwritten comments on the document that accepted Cyberia as the Project Manager, interestingly show that Cyberia was chosen as it had a better price, it was a BEE company and it had previous public sector experience. It has also been alleged by project sources that the reason why Cyberia won the tender was due to its experience with multi-million rand projects. According to Ross, however, they shouldn't have secured the tender as it *'had little or no experience in the public sector. Its experience was in IT'*²⁰².

Cyberia's tender price was R5 million but by November 2005, they had demanded a further R3 million over and above the R5 million it had already received. This money was granted to Cyberia without the issue being referred to the housing committee or council²⁰³.

In January 2006, Wallace Mgoqi, the city manager, terminated the contract of Cyberia Technologies. Before this was passed, however, Cyberia was granted an additional R4.6 million. Cyberia's contract had thus come to over R12 million. Mgoqi, in terms of delegated powers, was allowed to push through tenders that were under R10 million, but anything over this amount should

²⁰² Ross, N. 2006. Interview Material. Interview conducted at his City of Cape Town Office in Constantia. June 23.

²⁰³ Powell, A. 2006. Another city tender scandal. In Cape Times, April 12.

have been put forward before the council. This was, however, not done, adding to the controversy surrounding the Project Management position²⁰⁴.

Kevan Baker has argued that the controversial reports surrounding Cyberia's involvement in the N2 Gateway have been rather misleading. Firstly, the reason Cyberia was given extra money was that the company needed to pay extra staff. According to Baker, Cyberia was seriously understaffed and they had to be given permission by the Minister of Housing to take on more staff. When this permission was granted, they required more money to pay their new employees, thus causing the company to demand more money. Secondly, the three spheres of government involved in the Gateway project had not done the planning for the Gateway project correctly and this led to many cost overruns that Cyberia was blamed for²⁰⁵. This said, however, it is still alarming that a company, who had never run a housing project before, was given the tender to run a multi-billion rand social housing project.

In February 2006, two major changes took place with regards to the N2 Gateway project. Firstly, the implementation responsibility was shifted from the City of Cape Town to the Provincial Government of the Western Cape. Secondly, Thubelisha Homes (a Section 21 Company with government support²⁰⁶) replaced Cyberia Technologies as the Implementing Agent and Project Manager for the Province with respect to the housing component. The

²⁰⁴ Powell, A. 2006. N2 Gateway claims threaten housing project. In Cape Times, June 2.

²⁰⁵ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

²⁰⁶ Thubelisha Homes. [Online] <http://www.thubelisha.co.za> [Site accessed 12 May 2006].

City was now only responsible for the provision of specific infrastructure²⁰⁷. These changes were made in order to try put the project 'back on track' after a 'plethora of severe problems were experienced' during Cyberia's tenure²⁰⁸.

After Cyberia was replaced as the project manager for the N2 Gateway, Cape Town law firm, Cheadle, Thompson and Haysom was appointed to investigate whether Cyberia's appointment was politically motivated. Their findings show that there was no hard evidence to suggest that Cyberia's appointment was politically motivated but that flaws in the tender process served to 'encourage the view that there may have been corruption in the process'²⁰⁹.

Roger Davids, the CEO of Cyberia, has been contacted but was unwilling to give any information relating to his companies involvement with the Gateway project. The newspaper, Engineering News, also failed in their bid to elicit information from him

An email to the mayor was referred to project manger Roger Davids, who failed to answer any of the written questions posed by Engineering News²¹⁰.

²⁰⁷ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

²⁰⁸ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. vi.

²⁰⁹ Powell, A. 2006. Legal opinion given to Sisulu questioned Gateway contract. In Cape Times, June 23.

²¹⁰ Engineering News. 2005. Local professionals describe N2 Gateway as 'expensive joke'. [Online] <http://www.engineeringnews.co.za/article> [Site accessed on 18 May 2007].

3.10 Principle and Practice: BNG Abandoned

The theory behind the N2 Gateway project is impressive and is an important step forward in social housing. If one, however, looks at evidence from the following examples, it is clear that the BNG policy is not being followed and the government is returning to the old RDP policy²¹¹.

3.10.1 Moving people away from Economic Opportunities

A major focus of the BNG strategy is to increase social housing densities (compared to those delivered in the past) to enable more people access to city centres and economic opportunities. This was a key goal of the N2 Gateway project and was clearly expressed in the planning documents²¹².

The Gateway initiative is intending to deliver over 25 000 houses (initially it was 22 000) and it was planned that the mix of these houses would be a 70:30 mix between multi-storey (rental) units and single story (ownership) units. This would effectively mean that the housing settlements would have high densities (rental walkups have high densities) therefore bringing more people closer to the Cape Town City Centre.

Subsequent to the delivery of Phase 1 it was established that due to suspect planning this 70:30 mix could not be achieved, as the majority of the population targeted cannot afford the rental option. The targeted housing mix

²¹¹ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

²¹² A Moment of Reflection: Media Launch of the N2 Gateway Project. 2005. [Online]. Available: <http://www.pmg.org.za/briefings> [2006, September 16], pp. 1-26.

has thus has to be amended to a 10:90 mix of rental and ownership units²¹³. This has meant the Gateway plans have had to be radically changed as the initial Gateway plan aimed at producing mainly 'high density' walk up units, which would be offered the public on a rental basis. This re-planning has also led to abortive costs as some infrastructure, already 'built', has had to be changed.

The experience obtained in Joe Slovo Phase 1 project demonstrated that the large number of previously planned 'Walk Up' rental units were not affordable for the majority of the targeted beneficiary communities. A re-planning of the component projects resulted in significantly lower residential densities being yielded with resultant increases in the amount of land required for the N2 Gateway component projects²¹⁴.

According to the latest N2 Business Plan, 25 750 houses are planned to be built and only 2 572 are going to be 'high density' walk up units. What this effectively means is that housing densities in the new housing settlements, that will replace the existing informal settlements, will drop. People will thus be pushed further and further away from the Cape Town City Centre²¹⁵. Delft, an area where over 6000 houses will be built, is around 35km from the city centre²¹⁶.

The N2 Gateway project is located in an area which is occupied by an estimated 200 000 people. The project aims to build around 25 000 units and

²¹³ Baker, K. 2006. *Interview Material*. Interview conducted at Thubelisha Homes Cape Town Office 16 October 2006 16:30 – 19:00.

²¹⁴ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 17.

²¹⁵ Evans, K. 2006. *Interview Material*. [Interview conducted on 16 September 2006].

²¹⁶ Housing for Sardines. 2005. In Entoe?. July 11.

according to the Department of Housing these houses will accommodate around 100 000 people²¹⁷. This is clearly problematic as there will not be enough housing for the people that are already living in the area and these people will be pushed further away from economic opportunities.

Jac Snyman, the architect responsible for Joe Slovo Phase 1, believes that the N2 Gateway, in many instances, is doing nothing more than reverting back to the old RDP 'box-style' housing concept. The houses that will make up 90% of the N2 Gateway will be single storey detached units, semi detached units or row houses. These housing typologies require their own plots, unlike walk ups, which are built up vertically. Due to the dramatic change in the housing mix of the N2 Gateway, more land has to be found²¹⁸. 9072 units will have to be built on this new land²¹⁹. The major problem is that although people will be provided with houses, the new land that the settlements are built on will be incredibly far from economic opportunities. This is in direct contrast to what the BNG policy document aims to achieve, but in reality it is being allowed to happen.

Many people have asked how the move away from the BNG policy has been allowed to happen. Snyman believes that whilst it is a complex issue it boils

²¹⁷ Gophe, M. 2005. Cape Gateway needs more land for housing. In Cape Argus, November 13.

²¹⁸ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

²¹⁹ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes.

down to political issues²²⁰. According to him, the public demands houses from the government and in order to be re-elected, those who are in office promise the people houses in order to gain their vote. What has happened time and again according to Snyman, however, is that houses are built for the people, but these are *'unfortunately small, at a quality that will not last more than 10 or 15 years and are built in low quality environments'*²²¹. By the time the houses begin to collapse due to their poor quality, the politicians that had ordered them to be built are no longer in politics.

3.10.2 Joe Slovo 1 - against BNG principles

Joe Slovo Phase One is the first housing settlement to have been completed in the Gateway project. It consists of 705 housing units and was completed in June 2006²²². All the units are structured in the high density/walk up style according to the BNG principles laid out in the policy document.

The aim prior to construction of Joe Slovo Phase One was to try and develop the area into a highly accessible location due to its locality²²³. This would mean that people living in the surrounding areas could access the settlement. The housing settlement, however, is not open to the general public as planned. The area is heavily secured, with numerous security guards

²²⁰ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 24].

²²¹ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 24].

²²² Evans, K. 2006. Interview Material. [Interview conducted on 16 September 2006].

²²³ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

patrolling, together with a guardhouse and access gate. This has prevented crime but what it also has done has not allowed the area to become the proposed highly accessible area.

Early architectural plans made provision for a market area, to be constructed on the edge of the Joe Slovo complex, where people could trade goods. This market area would also act as a central meeting place for of Langa and Joe Slovo communities. This would have created ideal economic opportunities for the people of the surrounding areas. On instructions of the Minister of Housing, a park replaced the initial proposal for the market²²⁴.

The RDP houses that were constructed in the past are recognized as not meeting the minimum criteria for sustainable human settlements. The BNG strategy aims to build '*spatially and socially inclusive*'²²⁵ settlements. The Joe Slovo Phase One settlement is falling short of this ideal.

²²⁴ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

²²⁵ Breaking New Ground. 2004. A Comprehensive Plan for the Development of Sustainable Human Settlements. Department of Housing, pp. 11

Chapter 4

Major Lessons Learnt

This dissertation has identified and discussed numerous problems relating to the N2 Gateway project. This section aims, through in-depth interviews and research, to try and locate solutions for the problems discussed in the previous chapters. In many instances lessons have been learnt and are being applied to the project. These 'improvements' are discussed together with the 'future' solutions offered by a number of housing experts.

4.1 The South African Housing Mindset

The N2 Gateway project has identified the particular viewpoints that politicians have of housing. Politicians want to provide houses for the people but they fail to recognize the specific contexts where houses are to be built and equally important the specific requirements of the intended occupants²²⁶. There is no disagreement amongst all players that there is an urgent need to 'solve' the shortage of social housing. It is the manner in which the Department of Housing committed themselves to the delivery of 22 000 houses in six months which is of serious concern.

According to Bregman and Snyman there needs to be a synergy between the physical environment and the type of housing that is selected. They and other housing experts state that the government wanted a situation whereby three house designs could be selected and then mass produced in a particular

²²⁶ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

development. This choice was incorrect according to them as this does not take into account the context of the area in which the housing needs to be delivered. In order to illustrate this, they use the example of the construction of shopping centres to illustrate their argument as to the process of environment examination that must precede the choice of house designs and development layout. According to Bregman and Snyman, when building shopping centres, a common blueprint is not followed but rather an examination of the environment takes place and then the centre is built. This 'environment examination' takes into account issues such as; access routes, parking, toilet facilities, the type of people that will frequent the facility etc. They argue that the same needs to happen with housing projects²²⁷.

The need for the environment examination precludes the possibility and therefore probability of predicting the type and quantity of houses to be built in a particular area. The cost of the overall housing development and each individual unit is affected by its context.

4.2 Planning under Pressure

The time pressure put on the N2 Gateway project was very ambitious and unrealistic. The Gateway development is a pilot initiative and to put such drastic time frames was problematic. Future housing projects should learn from this and be more conservative in their planning approach. Realistic time-frames must be attached to development projects such as the N2 Gateway, according to the record of past projects. The record of housing delivery in the

²²⁷ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

Western Cape clearly showed that the government did not have the capacity or access to sufficient resources (especially money) to achieve such radical results²²⁸.

A major problem in the N2 Gateway project has been the lack of proper planning.

The entire 'process' from conceptualization to implementation was set in time frames that were both too ambitious and consequently a rate of delivery that was unrealistic. The consequence of this was a significant increase in costs and delays. These time frames are understandable in the particular political context of the President's requirement to the Minister of Housing for a new social housing plan which addressed the housing crisis in the shortest possible time frames. The upcoming local elections at the time also added particular political heat and expectations in respect of housing delivery. The politicians could have, however, a more patient approach as it was clear the planning phase for the Gateway was rushed²²⁹.

One of the consequences of the 'rushed' planning was the failure to amend the amending the housing subsidy system prior to the implementation of the project. A further consequence involved the census that was conducted for determining the needs of the people living in the area of the planned N2 Gateway intervention. This census was done during the holidays, when many

²²⁸ Ross, N. 2007. Interview Material. Interview conducted at his City of Cape Town Office in Constantia. April 20.

²²⁹ Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. N2 Gateway Project – Masters Thesis. [Personal email, 5 October] to Paul Blake (blkpau002@mail.uct.ac.za).

of the people were not at home and thus did not yield satisfactory results. Both these examples show how the Department of Housing in their haste to deliver on their promises to the people, actually made things worse by rushing through the planning phase. The planning process should have been properly thought out from the beginning, as this would have prevented many of the problems that were identified and discussed in the previous chapters²³⁰.

The planning process was also done in a top-down manner without enough consultation with the general public and the beneficiaries. Evidence of this was seen in the rental/ownership ratio debacle, whereby less rental units are to be built as it was discovered that residents could not afford to pay the rental on the housing units (discussed in Chapter 5.10.1)²³¹.

Two valuable 'planning' lessons have been learnt from the first phase of the Gateway project. Firstly, for a housing project to be successful it is imperative that the planning stage is carefully thought out and not rushed. Secondly, all stakeholders should be included in the planning process as without input from all sides the development will be 'skewed'.

²³⁰ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

²³¹ Smit, Warren (Warrens@dag.org.za) 2006. Masters Thesis – N2 Gateway. [Personal Email, 30 October] to Paul Blake (blkpau002@mail.uct.ac.za).

4.3 The flawed design of the pilot project

Peter Oscroft highlights an important lesson, which can be learnt from the progress of the N2 Gateway project thus far.

*A pilot project requires official recognition as such and the authority to apply non standard instruments to implement. The inertia of the legislative processes mitigate against the very concept of a pilot. Grand visions which exceed the capacity of existing policies to fund them, cannot be realized. 22 000 houses in one year, when the City has only been funded to produce 8 000 per year, is not a pilot! A pilot should be at a small scale, realizable by limited extension of existing policy. Alternatively the policy should be changed before the project proceeds, but then the project would no longer be a pilot!*²³²

The 'pilot' nature of the N2 Gateway was also a problematic concept, according to Kevan Baker. According to him, the project has not been formally approved by Parliament, as the first Business Plan that was submitted was not accepted. The consequence is that the N2 Gateway is an unstable initiative, as it has no firm foundation. This thus creates major confusion as to what the project is actually piloting. Is the project piloting the new BNG house? Is the project piloting how the new BNG strategy fits in with the old housing policy? In order for the N2 Gateway to move forward these questions must be answered and a ratification of the project should take place²³³.

²³² Oscroft, Peter (Peter.Oscroft@capetown.gov.za) 2006. Masters Thesis. [Personal email, 31 October] to Paul Blake (blkpau002@mail.uct.ac.za).

²³³ Baker, K. 2007. Interview Material. [Interview conducted on 8 May at the Wimpy in Somerset West].

4.4 Project Management and Tendering Procedures

One of the major lessons that have been learnt from the N2 Gateway thus far has been the importance of a high-quality project manager. Cyberia's appointment to manage the Gateway initiative was one of the many downfalls of the project. Since Thubelisha's involvement, the Gateway project has taken a positive step forward.

It is clear from the Gateway example that a transparent and clear tendering process is needed when awarding project management tenders for future housing projects. The manner in which Cyberia was selected was fraught with controversy and caused unnecessary problems for the housing project²³⁴. Cyberia had also never managed a housing project before, which according to many housing experts was a key characteristic that was needed in order to run the N2 Gateway project successfully²³⁵.

4.5 Housing Allocation

As a consequence of the waiting list debacle, Thubelisha has been given the responsibility of managing the allocation process. The formal allocation policy that Thubelisha has developed for the N2 Gateway is focused on certain principles aimed at solving the allocation problems identified in Chapter 5.7. An example of this is that a beneficiary will have to show proof of their

²³⁴ Cape Argus, 2006. Probe into multi-million rand city tender deals granted without council approval. [Online] http://www.l2b.co.za/Construction_News/Article/Article [Site accessed on 22 May 2007].

²³⁵ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

residency in a particular area and have the correct qualifications to receive a state subsidy. The new policy is also based on principles of Fairness, Transparency and Consistency²³⁶. Not much further information is given on this new approach but hopefully it will solve many of the allocation problems that have occurred.

4.6 Transparent Communication

The 'communication' around the N2 Gateway project has caused numerous problems. The communication between those responsible for delivering the project and the public was problematic. Promises were made to the people and these promises were not kept, causing much resentment from the public (as discussed in Chapter 5.1). The reason for this was the lack of communication between the politicians and the people working on the ground. It has been identified by Thubelisha that '*the current capacity [Within the N2 Gateway communication structures] - to share information, ideas and new approaches has been limited*'²³⁷. In many cases it was shown that politicians were making blanket statements to the media without adequate consultation with those who actually knew the realities of the situation. Going forward, this should be a crucial lesson that should be learnt from, as with better communication the entire process should run far more smoothly.

²³⁶ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

²³⁷ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 29.

Thubelisha's latest Business Plan includes measures to improve communication and contains many lessons learnt from the first phase of the project. The Government Communication Information Service (GCIS) has been awarded the responsibility of improving the N2 Gateway's communications strategy. A plan will be drawn up and presented to the National Minister of Housing. The mandate for the 'communication plan' states that it will recognize and address three categories of stakeholder groups. The terms of reference of the mandate are as follows. Firstly, it will create a communications structure within the three tiers of government. Secondly, the new communications strategy will have a 'marketing leg' to ensure the media and academia together with the financial and professional institutions are constantly kept up to date. Thirdly, NGO's and CBO's and beneficiary communities will be included in the communications strategy through a 'community engagement leg'²³⁸. It is interesting to note that the beneficiary communities are placed last on this list, when it is clear to many critics that their voice should be the loudest.

The N2 Gateway Communications Strategy, which will form the blueprint for future housing projects, will be the end product of a collaborative effort between the GCIS, the National Department of Housing, the Provincial Government of the Western Cape and Thubelisha. All four of these stakeholders will represent the Communications Task Team for the N2 Gateway. It is hoped that this Communication Strategy will learn from experiences of the N2 Gateway thus far.

²³⁸ N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 1-56.

4.7 Theory vs Practice

One of the central concerns of this paper is the manner in which the N2 Gateway project has deviated from its theoretical roots. The BNG policy is a sound policy built upon the criticisms of the previous RDP housing strategy. The BNG plan puts forward a theory that takes into account many of the needs that were missed by earlier housing projects. It stresses the need for better quality housing and focuses not solely on housing but on building communities, which should be brought closer to economic opportunities and social amenities.

This paper demonstrates that the N2 Gateway is not following the basic principles outlined above. Due to the high demand for housing the government has seemingly reverted back to the RDP strategy to ensure that people are given houses²³⁹. It is evident from the Joe Slovo example that the focus is purely on building houses as very few community facilities were built. This theory versus practice dilemma needs to be addressed. The new BNG policy is more expensive than the RDP housing strategy but it is a far more sustainable approach. The government needs to consider this issue for future housing projects. At present many people will be housed through the N2 Gateway project, but it is anticipated that in fifteen years time the government will identify the same problems that resulted from the RDP strategy implemented before.

²³⁹ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

4.8 High Density

The BNG aims to deliver higher social housing densities (compared to those delivered in the past) so that more people are brought closer to economic opportunities and community facilities. What the N2 Gateway has shown is that this is not actually the case as the 'one house one plot mentality persists'²⁴⁰. The reason for this is that it is cheaper to build single house structures. This is true in the short run but according to Snyman,

...it is from all perspectives cheaper and better to build high density. As with all things, such as alternative forms of energy, recycling water, etc, the start up costs are higher (not that much). However, low density as we are doing now is disastrous in the long run²⁴¹.

Snyman states that the reason for the continuation of the 'one house one plot mentality' is that in the majority of cases the advisors to the housing officials are specialist engineers who tend to look at the short term costs of the structures only, without examining costs over a longer period. This is an issue that must be addressed if future housing projects in South Africa are going to be successful. Cape Town, like many other South African cities, does not have a great deal of open land near the city centre and thus what land there is available must be used intelligently.

²⁴⁰ Bregman, M. & Snyman, J. 2007. *Interview Material*. Interview conducted on May 4.

²⁴¹ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 24].

Chapter 5

The Way Forward

5.1 The N2 Gateway Future

The timeframe of the N2 Gateway has been extended once again. The Department of Housing has a current delivery date of March 2010. This is a far more viable commitment and is a more realistic timeframe²⁴². The NDOH, PGWC and Thubelisha Homes will still be under severe pressure to deliver on this promise after all the problems experienced thus far.

The latest Business Plan explicitly identifies the numerous success factors that must be secured if it is to achieve its objectives by March 2010. It is important to note the magnitude of some of these factors. Re-assessing the initial goals and claims for the N2 Gateway within the parameters of the latest Business Plan both emphasizes the criticisms of the haste with which it was implemented and underscores the 'unrealistic' time frames presented by the Department of housing. The two chief factors that will need to be secured are extra funding and land. A full account of the success 'requirements' is given in Appendix B²⁴³.

²⁴² Baker, K. 2007. *Interview Material*. [Interview conducted on 8 May at the Wimpy in Somerset West].

²⁴³ Data from N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 47.

5.2 Alternative Options

In 2005 the ANC led City of Cape Town made a public commitment to eradicate informal settlements by 2014²⁴⁴. This goal was and is not achievable in the particular set of conditions that prevail, namely, the present housing backlog, the money available and the existing pace of housing delivery. Jac Snyman argues that an incremental approach to this goal would be far more manageable²⁴⁵.

Snyman argues that the government's fixation on delivering houses is not helpful to addressing the housing problem in fact it exacerbates the problem. He argues that this fixation encourages people to expect and demand houses and order for politicians to be re-elected they need to respond to these demands. The combination of these factors causes small low-quality houses to be built. These houses neither fulfill the BNG criteria nor are they sustainable or durable. The houses do not last more than ten or fifteen years and then the whole process repeats itself. Snyman suggests that an incremental approach would address these problems. Here is his example:

If one looks at the sites, where the N2 Gateway is being built, it is fairly easy to determine some of the major problems that the residents are experiencing. The residents of Joe Slovo, for example, suffer from: fires, flooding and lack of

²⁴⁴ Ensor, L. 2005. *Bureaucracy Pulls Out Stops for New Cape Housing Project*. In Business Day, February 17.

²⁴⁵ Snyman, J. 2006. Interview with Jac Snyman (architect of Joe Slovo Phase 1). [November 14].

adequate ablutions. There is not enough money or space to build everyone a quality BNG home to protect people from these problems. New solutions must be found. Firstly, each existing settlement can be raised, by building it on its own concrete platform, which will put an end to the flooding problem. Secondly, fire walls can be erected within houses, which will prevent the spread of fires. Thirdly, ablutions can be built outside for each home. These three changes will cost a fraction of what it would cost to house all the people of the area. The government can afford to make these changes, and although they are not of a grand nature, they will improve the lives of people living in those areas²⁴⁶.

Warren Smit of the Development Action Group puts forward a theory, which correlates with some of Snyman's ideas highlighted above. In Smit's presentation to the Friends of DAG Seminar on the N2 Gateway Project²⁴⁷, he identifies ten issues which should be remembered when upgrading informal settlements. His seventh point highlights the importance of upgrading *in situ* wherever possible. According to Smit *in situ* upgrading is always preferable to relocation as this will maintain social and economic links and networks. This concurs with Snyman's approach as it stresses the need in upgrading the existing settlements without making drastic changes to the environment. Smit further argues that if people are going to be relocated, it must be to well-located land. This thesis has previously shown that this is not happening in the case of the N2 Gateway as people are being moved further and further

²⁴⁶ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

²⁴⁷ Smit, W. 2005. Presentation at DAG Seminar on the N2 Gateway Project: 10 Things to Remember about Informal Settlement Upgrading. Presented May 5 2005.

away from economic opportunities and from their existing links (the example of Joe Slovo residents being moved to Delft).

Another theory put forward by Erik Schaug, a chartered architect and urban designer, argues that building societies should be brought back to help solve the housing crisis. Building societies were introduced in Britain in the 19th century to enable the less well-off to build houses and were incredibly successful. By re-introducing building societies, it would bring about a simple and cost-effective banking system for small investors and a source of capital for the construction of houses for the poor.

Building societies, like banks will, however, not lend money for houses being built in unsuitable areas without unsustainable environments. To solve this Schaug suggests that site-and-service schemes should be reintroduced but that these sites should be built intelligently with the potential to be developed. The urban designing process will be crucial for these settlements as proper planning will bring about economic opportunities to the area.

In order to create employment and job opportunities in these housing sites (the main problem found in many housing projects), he suggests that micro-enterprise zones should be created. These zones would be specified areas nearby low-income developments where entrepreneurs can build job-creating facilities. These entrepreneurs would be aided with tax incentives, low rates and energy costs. He goes further to argue that VAT on all basic building materials should be abolished to decrease the cost of housing for the low-

income population. These measures would allow small-scale building contractors to open businesses and provide modest houses for the poor. According to him, many township residents have completed courses in building trades but have been unable to find opportunities to use their skills in the last ten years. This process would enable them to find work and thus alleviate problems of unemployment, while at the same time providing houses for the poor. Schaug suggests that although this strategy will not completely solve the housing crisis, it could be used as a start²⁴⁸.

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²⁴⁸ Schaug, E. 2007. Bring back building societies to help get a grip on the housing backlog. In Cape Times, May 10.

Conclusion

The N2 Gateway project is a sorely needed initiative. The project, if completed, will house over 100 000 people and will bring a much needed 'facelift' to many informal settlements in Cape Town. It is a pilot project, which intends to put an end to many of the unsustainable and inadequate housing developments that have preceded it. The premier focus of the N2 Gateway project is delivering not only houses but sustainable human settlements. Through public and private partnerships it plans to produce settlements that will give people access to economic opportunities and community facilities. It is anticipated that through this project, beneficiaries will be brought closer to the Cape Town city centre and the standard of living for many individuals will improve.

Evidence presented in this paper has, however, shown that like many other developmental projects across the African continent, the N2 Gateway has failed to deliver on its promises. What was seen in theory has not been produced in practice. The Breaking New Ground Theory and the policy documents on the N2 Gateway are coherently packaged, persuasive and well written but the realisation of this particular pilot initiative was and is prevented by numerous implementation problems. These problems have ranged from funding predicaments to poor planning. It is imperative that these problems are acknowledged and addressed as this will allow the N2 Gateway Project and future social housing initiatives to be implemented far more effectively.

Shortcomings of Research

My research process and fieldwork was characterized by obstacles and difficulties due to the topical and controversial nature of the N2 Gateway. I discovered that information recovery on a project that has not lived up to expectations is problematic. My experience is one of an inability to locate public documentation and uncooperative officials who remained quiet in response to my legitimate requests. If I was able to speak officials many of them would disclaim knowledge of the project or would 'make me go away' by giving me the name of those 'who would know' (Peter Oscroft, the City Council's Project Manager, was the most common choice).

It was incredibly difficult to locate certain important documents relating to the N2 Gateway project. An example of this was the First N2 Gateway Business Plan. This document would have been incredibly useful for my research but I have failed in all my attempts to locate it. I was promised it on numerous occasions by housing officials but these 'promises' never materialized.

In my pursuit of information in respect of the highly controversial decision to award Cyberia the contract for the N2 Gateway initiative I encountered 'the case of willingness and even enthusiasm with no follow through'. I was drawn to the Cyberia 'issue' as I wanted to uncover the real story behind the accusations and media attacks. I contacted Roger Davids, of Cyberia, in August 2006 and asked whether he would be willing to answer a few questions via email. He agreed that he would be more than willing to help my

research process and even suggested that we should meet to discuss the Gateway initiative. To this date, after numerous emails and phone calls, I have yet to yield any response from Mr Davids. His input would have been extremely valuable to my research. Through my research I also uncovered that I was not the only person who struggled to get comments from Mr Davids. The newspaper, Engineering News, also failed in their bid to contact him - '*An email to the mayor was referred to project manger Roger Davids, who failed to answer any of the written questions posed by Engineering News*'²⁴⁹.

I contacted the ex-mayor Mrs Nomaindia Mfeketo. She agreed to answer a few questions on the Gateway initiative. To this date, she has not replied even after two phone calls, in which she promised to respond to a fax that was sent to her. Both Mrs Mfeketo and Mr Davids were critical figures in the early stages of the N2 Gateway development and their insights would have added great value to my research.

The fast-tracking process, which took place with regards to the N2 Gateway, has also made the research process problematic. The reason for this is that many decisions were made via private emails and cell phone calls and these conversations were not documented. This has therefore made it incredibly difficult to track all the exact events as they unfolded. This is also a matter of concern as the planning and implementation of the N2 Gateway was clearly not conducted in a transparent and accountable manner²⁵⁰.

²⁴⁹ Engineering News. 2005. Local professionals describe N2 Gateway as 'expensive joke'. [Online] <http://www.engineeringnews.co.za/article> [Site accessed on 18 May 2007].

²⁵⁰ Bregman, M. & Snyman, J. 2007. Interview Material. Interview conducted on May 4.

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Appendix A

The Objectives of the BNG Policy²⁵¹

- Accelerating the delivery of housing as a key strategy for poverty alleviation
- Utilizing provision of housing as a major job creation strategy
- Ensuring property can be accessed by all as an asset for wealth creation and empowerment
- Leveraging growth in the economy
- Combating crime, promoting social cohesion and improving quality of life for the poor
- Supporting the function of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump
- Utilizing housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring

²⁵¹ Breaking New Ground. 2004. A Comprehensive Plan for the Development of Sustainable Human Settlements. Department of Housing, pp. 7.

- Promoting and facilitating an affordable rental and social housing market
- Promoting upgrading of informal settlements
- Providing community supporting facilities through housing delivery

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Appendix B

Key Success Factors for the N2 Gateway Project²⁵²

- Additional Greenfields land supply (Greenfield: term used to describe land that still needs to be developed), as without this land, the residential sites will not be able to be built.
- Finalization of the basic dwelling unit standards and specifications to be piloted through the N2 Gateway project. (It seems unsettling that finalization still needs to be secured on this issue after it was promised that the houses would be delivered by June 2005).
- Supplementary funding to fund the shortfalls mentioned earlier in the paper.
- Commitment by the relevant line Departments to finance and supply the Social Infrastructure in the various projects.
- Supply of supplementary grant and loan finances to achieve the March 2010 delivery date.

²⁵² Data from N2 Gateway Business Plan September 2006: Draft 6. 2006. Updated, amended and submitted by Thubelisha Homes, pp. 47.

- The need for the three tiers of government to mobilize the capacity needed to ensure community safety in the component development projects that are to be implemented.
- Assembly of an integrated intergovernmental allocations policy procedure system and the assembly of the capacity needed to implement such a policy and system.
- Intergovernmental acceptance and adherence to the new N2 Gateway Project Communications and Marketing system and programme.

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