



KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA



IMPAIRMENT OF ASSETS IMPACTED BY THE RIOTS AND THE FLOODS IN KZN

06 JULY 2022

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POOR ASSET MAINTENANCE





DEFINITION OF ASSET IMPAIRMENT

- Asset impairment is a current market value that is less than the carrying value as recorded on the business's statement of financial position.
- An impaired asset occurs when the recoverable value or fair market value of an asset is lower than its carrying value.
- When an asset impairment is recognized, the asset book value will be written down to its fair value, and an impairment loss is recognized on the income statement.



REASONS FOR IMPAIRMENT

- Damage due to floods and fire
- poor management of assets
- increased competition
- Market downturn – If the market takes a dip, then the fair market value of an asset may end up being less than its book value. For example, if the real estate market experiences a downturn, then any land or property that you're holding as an asset could decline in value.
- Change in legal climate – It's also possible that a lawsuit, court case, or some other change to the general business/legal climate could cause a reduction in value of the asset. For example, if a worker gets injured while using your equipment and sues your company, you may not be able to use the asset until the legal situation is resolved
- Escalating costs – You may experience a situation where the running costs to maintain an asset are more than expected when you made the initial investment, or the running costs have simply escalated over time, leading to a reduction in overall value.



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- 45000 businesses were affected by the floods
- 4000 houses destroyed
- Damage occurred to the province's mobile phone infrastructure.
 - Vodacom – 400
 - MTN – 500
- Close to 300 rural and urban schools were damaged by the storm.
- About 435 people were killed



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- A hydroelectric dam operated by Eskom was overwhelmed by rising waters, rendering it inoperable
- Eskom CEO announced on April 12 that rolling blackouts would occur that evening due to issues in the network caused by the excessive rains
- Some areas in KZN experienced 450mm of rain within 48 hrs.
- The 450mm rain would normally be experienced in 60 days.
- This storm is regarded as the deadliest storm the province has ever experienced after 1987



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- A similar system was responsible for the September 1987 floods in the province that killed 506 people after 900 mm of rain were recorded over four days.
- In April 2019, another cut-off low-pressure system brought 170 mm of rain to the Durban area.
- About 80 people died in the resulting mud slides and flash floods.



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- Durban's 'great flood' in April 1856 saw rainfall totals of about 700 mm over three days. South Africa's southern provinces were clearly exposed to flood risk induced by heavy rainfalls long before climate change became an issue.
- Flooding has become frequent and annual hazard in South Africa



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- Umgeni Water, the supplier of water to Durban and KZN, announced that two feeder lines were broken and these two aqueducts supplied water to the Durban Heights reservoir.
- Repairs are still taking place Water tankers are being used to supply areas without water supplies.



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- The coastal N2 Highway suffered several washouts, with bridges destroyed.
- Southbound lanes of the N3 Highway, which connects Durban and Johannesburg, were closed due to flooding
- Trucks were backlogged on the N3 South from the Marrian Hill Plaza back 10 km to Hammarsdale as they were unable to enter the port in Durban.
- Transnet suspended port operations in Durban due to heavy rains damaging roads leading to the ports
- Freight transport companies were told not to send transport cargo to Durban.
- At the Port of Richards Bay, terminals were operating but in a



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- The damage to Toyota has resulted in their temporary closure in the Durban South basin, an estimated 30 000 employees across the manufacturing industry are out of work currently.
- The KwaZulu-Natal Provincial Government has unveiled a multimillion rand project, which will lead to the upgrade and rehabilitation of strategic roads damaged by the recent floods.
- The R500 million road project is part of the provincial government's continued effort to rebuild transport infrastructure that was damaged by the floods.
- The provincial Transport Department, has to reprioritize budget allocation for this financial year to attend to urgent emergency repairs.



DAMAGE TO PROPERTIES DUE FLOODS IN KZN

- Assessments of the damage to the provincial roads worth R5.7 billion
- A survey by the Department of Trade, Industry and Competition has revealed that affected companies cost of damage is estimated at R7 billion.



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DAMAGED TO PROPERTIES DUE TO RIOTS AND LOOTING

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DAMAGE TO PROPERTIES DUE TO TO RIOTS AND LOOTING



- During mid July 2021, businesses across South Africa was severely impacted with violent riots, destruction of property and looting.
- That cost the KZN province more than R20 billion
- Schools and health facilities were vandalise.
- The looting was targeting schools with food scheme programmes and computer facilities
- Eight post offices that were responsible for the payments of social grants were burned, and 25 post offices were looted and vandalized.



DAMAGE TO PROPERTIES DUE TO RIOTS AND LOOTING



- 89 malls and shopping centers were affected
- 45 warehouses were looted and vandalized
- 22 factories were looted burned
- 37 trucks were looted and burned
- 56 South African Social Security Agency offices were closed.
- A number of service delivery services were halted across the province due to riots and looting



ASSET MANAGEMENT CHALLENGES

- Asset management is still a challenge in the public sector especially municipalities
- Overreliance on consultants to do asset management functions
- Under budgeting and under expenditure for repairs and maintenance
- Only 4% on average was budgeted for repairs and maintenance and 76% was spent in the 2020/2021 financial year
- Drainage system not being maintained



HUMAN SETTLEMENT CHALLENGES

- Dwellings are located below the indicative flood line,
- Unregulated informal growth,
- A lack of land use zoning enforcement and
- Inadequate storm water systems all contribute to growing flood risks.

RECOMMENDATIONS

- Municipalities must urgently develop contingency plans that include the relocation and evacuation of people in a short space of time.
- High-risk land exposed to natural hazards must be identified and indicated on land-use schemes.
- Zones designated unsuitable for development must be adhered to and enforced.
- High-risk communities must be consulted and educated about the risks and alternative housing sites provided for relocation.



CONTACT DETAILS

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