Economy  (49c) E. Cape

1995 - 96
Local govt to be shored up

Task force in Eastern Cape rescue bid

Robyn Chalmers

GOVERNMENT has sent a high-powered joint task force into Eastern Cape in the first step of a two-year plan to rescue the struggling province.

The RDP office is expected to name task team members — drawn from central government and Eastern Cape provincial offices — today.

Sources said yesterday the team would concentrate on shoring up local government structures and ensuring RDP projects were pushed ahead, particularly in the former Transkei. Other targets included the effective operation and maintenance of infrastructural services, and providing adequate social services, land and housing for rapidly increasing urban populations.

The move follows last year's announcement that a multifaceted development plan was being put together by the Eastern Cape provincial government and central government to overcome mounting problems there.

Sources said the initiative was a joint one and that the provincial government had not handed over the reins to central government. The plan would be based largely on job creation and training in partnership with central government and the private sector.

The plans have been given additional impetus by the breakdown of local authorities in the area. Transkei has been identified as particularly problematic, with 24 of its 28 town councils in serious debt, relying on provincial government grants for survival. Many infrastructural and local government services in Transkei are close to collapse, while violence is threatening Eastern Cape health services.

Government sources said the task team would be expected to ensure local government functions were undertaken efficiently and that funds allocated to a range of projects were spent.

Minister without Portfolio Jay Naidoo announced in October that Eastern Cape would receive R128m for "quick-fix" municipal infrastructure projects in a bid to unblock delivery of new projects.

Local government and housing minister Max Memane said projects valued at more than R108m had been approved, with almost half for Transkei. A quarter of project costs would go towards job creation and training.

Five development corridors had been identified in the province, which would focus on promoting a range of industries, including ecotourism, agriculture and upgrading roads.

Ways to upgrade the public service, education and health, and to deal with corruption and promote foreign investment were also being discussed.
Funding doubled for RDP in Eastern Cape

AN RDP BONANZA is about to hit the Eastern Cape – which was recently declared South Africa’s poorest region by the World Bank.

The region’s share of RDP cash will double to R1.6 billion this year, provincial Public Works MEC Thobile Mhlahlo said this week.

Mhlahlo said the Eastern Cape’s RDP objectives for 1995 had been met, with the kick-starting of projects worth R800 million.

He said both the provincial and national governments were confident that the RDP would accelerate from now on.

“The people are saying this themselves.”

“Women are no longer travelling 20 km a day for 10 litres of water: they are travelling 200 metres.”

“Through thorough planning and strict adherence to RDP principles, the provincial government has secured the confidence of the national government, business, labour and sociedad in general.”

Progress

“The progress achieved in 1995 will form the basis for accelerated transformation and delivery in 1996, notably in the areas of rural development, urban reconstruction and multi-sectoral collaboration,” he said.

He said that the attitude of the region’s lumbering civil service was changing for the better.

“The RDP is about transforming and changing government, including establishing a sense of responsibility in the civil service.

“Our civil service must be conscious of their own responsibility. We want individuals in government who will regard the public as their most important constituency to be serviced.”

Mhlahlo said the formation last year of the Eastern Cape Socio-economic Consultative Council – a coalition of business, government, labour and non-government organisations – would “fast track” economic progress in the province.

Rural development programmes – mainly in the former Transkei and Ciskei – would be similarly speeded up by a task team formed in December to deal with rural areas.

The R800 million allocated last year went to 10 priority projects, including the renovation of 42 schools, the electrification of 255 schools, and the provision of water to 56 rural villages.

Consolidate

Mhlahlo said that in 1996 the government wanted to consolidate what it had already established.

“All of us in the Government of National Unity are committed to making this province different to the state of affairs before.” - Ecna

THE EASTERN Cape government needs an extra R35 million to expand the province’s primary schools feeding scheme, provincial public works MEC Thobile Mhlahlo said this week.

Mhlahlo said: “An additional R35 million has been requested to meet requirements, over and above the budgeted R113 million in the current financial year.

“On average about 1.7 million school-going children benefited from the programme in 1995. - Ecna
Mbeki to launch Cape development

Own Correspondent

BISHO — One of the most ambitious projects undertaken in the Eastern Cape will be officially launched in Umtata today by Deputy President Thabo Mbeki.

The R1.2bn "priority development", was announced by Eastern Cape premier Ray Mhlaba last Friday, and is the first stage of a R8bn restructuring plan aimed at transforming the former Transkei into a tourist mecca.

Ultimately the development plan is to open a coastal route stretching from the Kei River to the KwaZulu-Natal border.

Mhlaba told the legislature the economic development of the eastern part of the province would involve the upgrading of access roads and other infrastructure, and investment in the promotion of tourism, agriculture and mining ventures.

Details of how the R1.2bn will be allocated will be announced by Mbeki this morning.

Moves to correct the imbalances existing in Transkei were initiated by President Nelson Mandela at the beginning of October last year.

Minister without Portfolio Jay Naidoo and Mhlaba later visited six Transkei towns to assess the level of these imbalances.

They found that more than 75% of the population did not have a water tap on their property, did not have access to a telephone or electricity, proper sanitation or to refuse removal.
R8-billion plan to transform Transkei into tourist mecca

**POLITICAL STAFF**

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Moves to "correct the imbalances" in Transkei were initiated by President Nelson Mandela at the beginning of October last year. By the end of October, a special RDP task group had been formed to develop a joint strategy.

Minister without Portfolio Jay Naidoo and Mhlaba later visited six Transkei towns, finding that more than 75% of the population did not have a water tap on their property, did not have access to a telephone or electricity supply to their property, or proper sanitation or refuse removal.

It has been recommended that the private sector should "manage" the public service in Transkei for the next two years, while the new public servants concentrate on managing the remainder of the province.

A project team has been created, with experts in the technical, local government, finance and safety and security fields, and representatives of labour and business will serve part time.
Task team bid to unblock RDP spending

Stephen Lauer

UMTATA — Government’s Transkei task team would serve as a model for the rest of SA if it succeeded in unblocking RDP spending in the region, Minister without Portfolio Jay Naidoo said at the weekend.

Naidoo was speaking at the launch of the team at the Umtata town hall, attended by local authority representatives from Transkei.

Also present were Deputy President Thabo Mbeki, Eastern Cape premier Raymond Mhlaba, provincial local government and housing MEC Max Mase and public works MEC Thobile Mahlatho.

The aim of the task team, which includes financial, local government, business, technical and political experts, is to determine why central

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Transkei

Continued from Page 1

state-funded projects valued at R1.5bn are proceeding so slowly in the province. The Eastern Cape faces a deep financial and development crisis, with local government and law enforcement in many areas — particularly in the former Transkei — in a state of collapse.

In its investigation of stalled projects, the team will operate along five “corridors”, focusing on Butterworth, Mount Ayliffe, Cala, Port St Johns and Umtata.

During the next two years it will focus on the rehabilitation of water and electricity supply and roads, which are seen as being pivotal to private-sector investment and capable of job creation.

Naidoo said the plans for infrastructure and other development were in place, but that far too little had actually happened on the ground.

The task team would not seek to replace local authorities but would assist them in clearing spending blockages. "It is their job to establish whether rules, regulations or technical capacity is holding development," he said.

Naidoo said an example of the problem was the failure of cellular phone networks to reach Transkei. An investigation had uncovered the blockage.

Mbeki said the problems of the...
R1.2 bn to aid E Cape Province

Mbeki is confident the funds will improve the lives of Trankei people

By Joe Mdhiela
Political Reporter

DEPUTY PRESIDENT Thabo Mbeki is firm in the belief that it will take hard and productive work from various stakeholders to rehabilitate the Eastern Cape, particularly Trankei. Mbeki, together with Minister Without Portfolio Mr Ntate, were guest speakers at the launch of the Eastern Cape Presidential Project in Umtata on Friday.

They addressed an audience drawn from various walks of life, including representatives from non-governmental organisations, trade unions, business and the farming community.

Restore administration

The Government had already allocated R1.2 billion in order to restore administration in key areas of the province.

The fund will also help to strengthen safety and security measures in the area, as well as restoring confidence in the criminal justice system.

In his address, Mbeki stated that it had been a deliberate plan by the previous government to starve Trankei of resources necessary to develop the region.

"The Trankei region, like many of the other homelands, was the dumping ground for our people. It was deliberately starved of resources and funding which has resulted in gross under-development," Mbeki said...

Mbeki said there was over employment in the provincial government, and driving his point home, made an analogy of 12 tractor stations manned by 40 drivers.

Idle drivers

"What do you do with the excess 28 drivers. Do you pay them a wage even though you do not have work for them?" he asked.

Ntate said R800 million which had been allocated to the reconstruction and development fund in the province had not been used last year.

"The obvious question to ask is, why has this not happened? We are here, with the people of this region, to find answers."

"Because we do not wish to be prescriptive, we are providing a back-up service through the project team who must continually liaise with local communities."
Naidoo explains how he plans to get Easter Cape's RDP funds moving.
By CLAIRE ROBERTSON
THE Transkei government took one year to run a viable agricultural scheme into the ground, looting and mismanaging it until vegetables rotted in the fields, according to a report on the project.

The Xonxa Rural Development scheme in the Queenstown district was supposed to irrigate and farm more than 3 000ha, grow food and train farmers.

The irrigation equipment was installed in 1988 and the project handed over to the Transkei government. An Austrian firm, Rudolf Bauer AG of Voelkburg, was contracted to run the scheme, and Austrian Dr Rheinhard Auerbock took charge.

It turned its first profit two years later and was R3.4-million in the black by the end of the 1993 financial year.

Then the Transkei government took control. In the next year Xonxa spent 33 times more than it made: R19.8-million was poured into it and only R600 000 recorded as cash and sales, said the report released by Eastern Cape MEC for Agriculture, Dr Tertius Delport.

In the four months before last year's elections, it ran up more than half of its R20-million overdraft.

Dr Auerbock ran the scheme with just 890 employees. By April last year, almost four times as many people were employed — or at least had salary cheques made out in their names.

Fictitious employees were paid almost monthly from June 1993 to May last year. Even the new employees who existed had little to do with farming. The scheme needed 16 watchmen, but by April 125 were employed.

People were employed to sing in the choir, to play soccer and rugby — and then paid overtime as well.

The scheme was never audited and had no proper financial management.

But Xonxa did hire farming equipment: R5 000 a month for tractors "with no work done at all", said the report. Trucks were hired for R500 a day "even if the truck is broken down, about R18 600 a month is paid on a single truck, and there are at least six trucks".

"Produce is left to decay in the fields without having been harvested. Seeds and seedlings are bought at high cost and not planted in time," the report noted in June last year.

Dr Delport has cut back the Xonxa staff to about 30 — from more than 3 000.

He hopes to convert this and other schemes into co-operative or individually run farms because "governments make bad farmers", he said this week.

But some ANC colleagues disagree. Several provincial MPs this week urged the maintenance of the schemes, and accused Dr Delport of having ulterior motives.

"Is it so he can say the ANC government is trying to deprive people of their jobs?" asked the Rev Harris Majeko.

Dr Delport believes the government may have to cut at least some agricultural jobs: some 25 000 people receive a salary from the Departments of Agriculture of the former Ciskei and Transkei, either directly or via parastatals, and salaries comprise 93 percent of the agricultural budget.

"There is stiff opposition, but black farmers have pledged their support for my approach," he said.

He has also drawn up a plan to settle 2 000 viable small-scale farmers over the next five years.

The scheme is intended to help the owners or tenants of farms worth R400 000 or less, and Dr Delport has proposed annual payments to the tribal chiefs who own the land to give the small-scale farmers some security of title.

Farming is the Eastern Cape's main job creator.

The former Cape Province part of the new province produces a considerable percentage of the country's meat and vegetables, but the Transkei produces only 20 percent of its own needs — even though its agriculture department employed 30 times as many people as the Eastern Cape division of the former Department of Agriculture.
Emergency financial aid to 28 collapsed Transkei municipalities will do no more than keep them ticking over, Eastern Cape local government MEC Max Mamase said on Tuesday.

Cornered for comment at a housing summit in East London, Mamase said of the R7.4 million allocated to the cash-strapped municipalities, R2 million had gone to Butterworth and R200 000 to each of the remaining 27 towns.

He said the money, to provide a financial crutch until strict controls existed, would ensure little more than that municipal salaries are paid at the end of each month.

"This will not help them at all. We just want them to breathe," he said.

Sketching the crisis he said: "Gross negligence on the part of the (Butterworth) town clerk has seen him use R500 000 on legal fees for his own costs. He has only paid R40 000 back and can’t pay the remainder from municipal funds."

Mamase said the town clerk’s future would be determined before Friday. The town also has an overdraft of more than R1 million, which the bank refuses to increase and its expenditure is almost R4 million more than its R7 million revenue base.

The former homeland capital of Umtata has an expenditure of R56 million — more than three times the R17 million revenue it has received.

An audit inspection of Transkei municipalities on behalf of the Eastern Cape government found that:

- Cash flow collapsed because accounts were not sent out;
- Idutywa municipal salaries amounted to between 75 and 110 percent of the town’s income;
- Staff and leave records at many municipalities did not exist;
- In Cala water was supplied free to more than 1 000 residents;
- Municipal staff received inflated salaries; and
- Butterworth lent R1 million at low interest to a private company that had two municipal officials on its board of directors.

Mamase said: "We are giving this money to the municipalities but this situation cannot continue. All are bankrupt. We can't keep giving money when the towns do not have proper financial management systems."

He said the allocation to floundering Transkei towns was taken from a R44.2 million allocation from central Government which had been spread throughout the province. — Eca.
BY CLAIRE ROBERTSON

THE Transkei government bequeathed a debt of at least R1-billion to the new Eastern Cape province — and not the R44-million deficit former homeland leader Bantu Holomisa has claimed.

Reacting to last month's allegations by President Nelson Mandela that the "millions" of cash had been stolen from the Transkei by crooked officials, Mr Holomisa said the homeland deficit stood at only R44,1-million when his Military Council closed its books in May last year.

He blamed Transkei's financial problems on punitive underfunding by a hostile South Africa.

But according to an independent investigation into the Transkei government’s "overdraft crisis" late last year, the Transkei government owed its own Pension Fund R1,09-billion when it closed shop — and it must be paid this year.

It is clear from the report that Mr Holomisa's government — and the Matanzima regime before him — limped from one huge overdraft to the next for years, eventually culminating in the debt.

The money was raised to pay for "staff salaries", the report said, and was costing "millions" of cash in interest repayments... placing a strain on already crippled bank accounts.

Mr Holomisa's government borrowed the money after the South African government refused to guarantee commercial bank overdrafts and Transkei had to walk it alone, according to a separate report from the Transkei accountant-general titled "Transkei Underfunding".

Then "the Public Debt Commissioner's funds got drained in June 1991 and there was nowhere to get funding", the report noted.

In 1991 the Transkei appealed to South Africa for help, and agreed to Pretoria's condition that Transkei government spending should be vetted by a joint structural adjustment committee.

The chairman of committee, Development Bank general manager for policy and information Deon Richter, said this week that the sort of "muddling along" accounting practised by the homeland could partly be blamed on underfunding.

"Transkei's financial management went downhill over a period of 30 years," he said.

He predicted that there would be "many underlying commitments that would jump up and bite them" as investigators began to unravel the homeland's legacy.

The Eastern Cape government dealing with two former bantustans in its borders — Transkei and Ciskei — is beginning to discover this inept financial management.

It found that two controversial agricultural schemes had run up huge over "rafts — R19,8-million case of the Xonza scheme and R4,3-million for the Ncora cannery.

As in the civil service and police, Xonza's salary bill rocketed in the months before last year's elections, with some employees earning three times their usual salaries and thousands of people added to the payroll.

Other nasty surprises

Eastern Cape investigators uncovered included:

- R158-million for cheques not yet cashed at the end of March last year;
- R311-million to meet civil service pay adjustments, which the Transkei government had failed to budget for the previous year; and
- R276-million in unauthorised expenditure, carried over for two years.

Some of this was paid for with the money raised from the pension fund.

The report asked for a total of R1,7-billion from central government "as an interim measure" to meet the pension fund debt and other government obligations.

This included money not yet advanced to the Transkei military government at the time it dissolved last May. Most of this money was held back because the necessary accounting procedure had not been met by Transkei.
Transkei on the brink of collapse

South Africa
A muddy business making RDP work

Millions may have been spent in Pe's Ivory Towers

ON A PHOTOGRAPH'S FOUNDATION FROM THE DIARY OF A ZIMBABWEAN
... to a Ray of hope

The new province called the Eastern Cape holds huge potential for the future. Those responsible for its administration believe that potential will be realised.

RAYMOND Mhlaba was a Rivonia trialist, one of the leaders behind the anti-apartheid struggle. He dedicated his life to fighting for justice and equality. Mhlaba passed away in 2011, leaving behind a legacy of dedication and service.

If one did not know, one would be surprised by the breadth of his knowledge and experience. With Nelson Mandela, Walter Sisulu, and others, he played a key role in the struggle against apartheid. His work was recognized worldwide, and he received numerous awards and honours in recognition of his contributions.

The Robben Island Class of 1963 and after have something in common: they all have a voice-print all of their own.

Raymond Mhlaba came from the Eastern Cape and has returned there as its premier in the new region.

His job is rather like getting into the same bed in the same place at the same time. It's a little like putting your feet in and finding they're two separate pairs.

The Transkei and Ciskei were so-called independent states, he says, “so this created a certain mental attitude.”

“At first, people resisted change. But we have managed through negotiation and discussion to bring together one administration.”

A major problem of integration lay with the security forces. In the case of the Ciskei and Transkei they had been avaricious, so to say, and had been responsible for crime and attempted coups against the governments of the day.

Now there is one central police command under a single commissioner. “The morale has improved a great deal,” says the premier. “We do not have the difficulties that existed before, particularly in the Transkei, where police became a threat to public safety. Ordinary people now feel better.”

Another significant advance has been the amalgamation of the three agricultural unions.

That might have been a nightmare, coordinating the peasant smallholders of two regions with the hi-tech farmers of the third.

And those established, “commercial” farmers were concerned that standards might drop in the process.

They have been assured that their production will not be taxed to meet the overheads of subsistence farmers.

Tertius Delport, MEC for agriculture in the Eastern Cape, says that would be disastrous if we were to neglect the neglected agriculture that we do have.

“The region is the biggest wool-producing area in South Africa. It produces more than 30% of the country’s mohair, most of the pineapples and practically all the clementines.

“It’s the second biggest province in terms of land use. It’s the only province in the country that’s producing a high percentage of South Africa’s meat, vegetables and a considerable portion of its citrus exports. We have a lot to lose if we don’t treat the established farmers properly.”

But while agriculture holds the greatest potential for the Eastern Cape’s growth, and could be the basic dynamo to create wealth, the pitfalls must be avoided.

“Agriculture is a vehicle to achieve economic growth,” says Dr Delport. “It must not be used as an excuse for the land distribution. Land distribution for its own sake could be an economic death trap.

“Mostly to give a man a farm is to give him poverty. The emphasis must be on the redistribution of agricultural production opportunities. Land acquisition must be accompanied by development plans for every farmer to ensure that it is ‘redistributed’.

As an initial target, the government plans to settle 2000 viable small-scale farmers on land over the next five years.

ON THE BEACH: Tourism, with agriculture, could make the Eastern Cape one of the richest regions in South Africa. But resorts, like Mpekweni on the Ciskei coast, need to be revived.

This will mean that the old system of land tenure in the tribal areas will have to be changed to give the individual farmer security of title. A clear development programme will be mapped out for each new farmer.

Water provision is another priority. Here the Umzumbe, the old Transkei’s biggest river, holds great promise. Once it was planned to develop this resource and link it with Lesotho’s Highlands water scheme to supply water to the Witwatersrand. But now the Eastern Cape administration intends approaching the central government to have the river development channelised to the province’s own benefit.

With the reincorporation of the former homelands, further industrial development is also on the cards.

Reincorporation does pose one problem. Ciskei during the 1980s (and to a lesser extent the Transkei) managed to attract foreign investment by offering incentives to overseas companies whereby they paid almost no tax. By 1987, Ciskei had more than 140 factories employing 23,000 people.

“Obviously, we will have to consider whether we continue with these concessions,” says Mr Mhlaba. “We would like to maintain them, but that’s only possible on the basis of the other provinces. I have raised the matter with the other premiers and the debate is going on.”

Other areas of concern for the provincial government are health and education, which both have to be standardised. Many of the hospitals in the region are old and unevenly spread. A system of clinics needs to be introduced to provide the proper gradation of medical care.

The province has four universities — although the University of the Transkei is in economic disarray — but some form of rationalisation must happen around the schools. Since the days of the old mission stations, primary and secondary education in the Transkei in particular has been neglected.

All this will take money; money which could accrue from developing the tourist industry as well as agriculture. The Wild Coast and Coastal towns embrace the coast between the country, veined with lagoons and estuaries and wide with opportunity. However, roads and like infrastructure must be laid down first, new amenities built and old amenities refurbished.

So the struggle will go on to realise the Eastern Cape’s true promise. But at least it should happen, unencumbered by the dead hand of a Matatangana or the manic diversions of a Sebe.
E Cape granted R600m advance
cr 9/8/96 (49c)

BISHO: The government had agreed to give the Eastern Cape an advance on its 1996 budget allocation to “temporarily wipe out” an unsecured R600 million bank overdraft by the former homeland Transkei, Eastern Cape Minister for Finance Prof Shepherd Mayatula said in his budget speech yesterday.

However, the province would still be liable for R56m a month in interest payments on the homeland’s R9.9 billion debt, Prof Mayatula said.

The “previously neglected” areas of education, health and welfare would benefit most from the R12.4bn provincial budget, he added.

The allocation for education is the biggest, at R4.5bn, followed by R4.47bn for health and welfare. Finance and provincial expenditure receive R1.2bn, including R869.3m for interest on loans and R63.7m for capital redemption.

Prof Mayatula said his budget was the first step away from a “consumption-orientated” budget to a more developmental one. “In promoting a developmental budget it is of critical importance that the provincial government should explore alternative sources of revenue.

“If the government were to do nothing else but to address unemployment in the province, a giant step will have been taken in addressing the real needs of our citizens.” — Sapa
PPC ready to invest R750m in east Cape

PORT ELIZABETH — Cement company Pretoria Portland Cement (PPC) is ready to invest R750m in the Eastern Cape — the single largest capital project in the region for many years.

The investment will be in the form of a new cement kiln at the Port Elizabeth factory. Such a move would add an additional 600,000 tons capacity to the current 265,000 tons.

But the potential investment rests on PPC finding an acceptable source of limestone in the region — an issue which caused concern when the company first announced that they were investigating a new source.

At the time PPC identified two possible alternatives. These were a conventional limestone deposit at Oudeboschkloof, near Hankey, and the sand dunes of Hougham Park/Schelmhoek near the Sundays River.

Evaluation of the feasibility of mining the dunes at Sundays River went ahead despite protests. Opposition lobbies then said they would wait for the outcome of the studies before reaffirming their position.

During the past 15 months, studies to assess these alternatives have been proceeding under the direction of the Cape Town University's evaluation unit, while Port Elizabeth University's Institute for Coastal Research has been working on an environmental impact report.

The report is not yet complete, but PPC says an acceptable source would assure the long term future of the Port Elizabeth factory and create the possibility of a new kiln.

PPC Group Communications Manager Mark Drewell said benefits to the Eastern Cape were:

- It would ensure that all the cement required for the reconstruction and development of the region would be manufactured locally.
- An expanded cement facility would have surplus capacity in the early years of its existence, and this could create export opportunities.
- A 600,000 ton a year cement kiln and associated infrastructure would cost around R750m and would be a major boost to the local economy.

He said limestone for the Port Elizabeth factory was sourced from PPC's Loerie quarry at present and railed to the factory. The Loerie quarry had a limited life.

Drewell said the PPC argument was based on the fact that a desperate need existed for houses and schools in the East Cape region.

Cement which could not be produced in the Eastern Cape would have to be sourced from the Northern Cape. "This is creating jobs and wealth outside the East Cape region," he said.
The Eastern Cape is the most poverty-stricken region in the country and Gauteng, while being the richest in per capita terms, is fourth on the list of poor provinces in South Africa, according to a survey.

The survey forms part of a study by Human Sciences Research Council based on data from the living standards and development survey conducted by the University of Cape Town.

The Eastern Cape tops the list of poverty-stricken provinces followed by KwaZulu-Natal, Northern Transvaal and Gauteng.

In fifth place is the Free State followed by Eastern Transvaal, North West, Western Cape and Northern Cape.

The study warns that in the light of the findings, Gauteng should not be left behind in the allocation of reconstruction and development programme funding.

According to the HSRC, the study used a poverty gap analysis that measured the amount by which annual incomes of poor households had to be raised to bring all households out of poverty.

"In 1993 the poverty gap in South Africa was just over R15 billion, which is less than five percent of the gross domestic product."

"The poverty problem is thus small in relation to the size of the economy, but the enormous number of people involved makes its eradication a huge task," the HSRC says.

Children suffer

The research also reveals that more than nine million children are living in poverty-stricken households.

"This can have long-term consequences for the country since a child that experiences poverty is exposed to the risk of impaired physical and mental development."

Women experienced higher levels of poverty than men, with more than 48 percent and just over 43 percent of men living in poverty, the study found.

It was also found that less than 30 percent of the total income accrues to blacks, in spite of the fact they constitute more than three quarters of the population.
**Big boys come a courtin'**

The Eastern Cape is within a whisker of becoming one of SA’s major development areas as big business continues to flirt unashamedly with Port Elizabeth. The latest is the announcement of a study into the building of a R700m cement plant. Also under consideration is the construction of a R750m industrial harbour to be sited at Coega, 20 km east of the city.

If both projects go ahead new investment in the area could amount to nearly R10bn. Murray & Roberts has already announced it is looking at the possibility of a R6bn steel mill, while Gencor is investigating the siting of its R1,5bn zinc smelter in the same area. Multimillion rand expansions to the local airport and a large fertiliser plant have also been mooted.

Pretoria Portland Cement spokesman Mark Drewell says the Grassridge site has sufficient limestone reserves for the next 70 years and could supplant PPC’s existing Loerie limestone quarry, which is 70 km from its 270 000 t/year PE cement factory— which only has sufficient limestone reserves for the next 10 years.

“We have been investigating this project since February 1993 and will also consider expanding our existing facilities in future to meet regional cement demand which stands at about 460 000 t/year. While the PPC board still has to take a final decision to purchase the properties and mineral rights involved, the Grassridge limestone deposit will enable PPC to consider a 600 000 t/year cement plant in the same area. The Eastern Cape imports the balance of its cement requirements from the northern Cape — a distance of about 700 km,” says Drewell.

The fact that Grassridge is only 20 km from the existing PPC factory could allow the company to improve its margins by saving on raw material transport costs.

Portnet’s PE port manager Jan Jansen says the Coega harbour project still has to reach the planning stage and an environmental impact assessment will have to precede any such development. The site is close to the breeding grounds of the jackass penguin colony on St Croix Island in Algoa Bay.

“But we are looking at the possibility of easily be expanded to 600 000 t/year by the addition of a few cranes.

“We can easily take the overflow container traffic from Cape Town and Durban. Furthermore, the proposed steel plant will fit in well with the Coega expansion plans as it could either handle imported iron ore or export the finished product. But there is also growing demand in the region for thin-strap coil from the local motor industry and aluminium will not be able to substitute for steel in many areas of motor vehicle construction,” says Crouse.

The city, he says, also provides excellent infrastructural service to businessmen and new investors—for example, its existing harbour and airport are both within a few kilometres of the CBD “We also trust that government’s new industrial incentives will help to attract more investors, so that we help create the targeted 6% growth rate by 2000. For our part, we will make plentiful land and infrastructure available to investors”.

M&R contracting, industry and mining CE Mike Wilde says the company intends to start a pre-feasibility into the steel plant by September. M&R has, over the past year, accelerated its venture capital operations where it investigates and promotes investment in projects by local and overseas investors.

The reason, says Wilde, is M&R’s corporate view that it can fulfil a role in assisting government’s policy to help upgrade underdeveloped areas like the Eastern Cape and Northern Province, by facilitating export orientated and job-creating industrial projects, based on existing ore bodies. “We are investigating several such options but will announce more details when we are closer to the pre-feasibility and feasibility stages”.

While wary of disclosing more details of the steel project, Wilde confirms that the investigations will look at the possibility of coupling the potential R3bn hot-rolled, thin-gauge steel plant with an
All officials ‘must reapply’ for jobs

Eastern Cape govt plans big cutbacks

David Greybo

CAPE TOWN — The Eastern Cape government, plagued by a bloated public service and unaccountable departments inherited from the former Transkei and Ciskei, faced major rationalisation, finance MEC Shepherd Mayatala said yesterday.

The 140 000-strong public service would undergo “serious cutbacks” by the year end. Two independent firms had begun a major audit of the former homeland administrations and Cape Provincial Administration, Mayatala said.

“Every public servant in the Eastern Cape will have to reapply for his job. This is a new administration and nobody’s position will be taken for granted,” he said. Those who failed to get their jobs back would be retrenched or, in some cases, retrained for new positions.

The Browde commission of inquiry into public service irregularities before and after last year’s election returns to the province soon to continue its investigation of the former homelands.

Mayatala said he was confident central government would write off a R9,9bn debt, plus an overdraft of more than R400m, from the former Transkei, inherited by the province. If it did not happen, about R3bn of the current R12bn provincial budget would be spent on debt repayments.

Mayatala conceded morale among public servants was low because of uncertainty about the future, but said it was unavoidable. He expected the shake-up to be complete by the end of the year.

“The debts incurred under apartheid and public service irregularities have created a vicious circle. The Eastern Cape is not prepared to service these debts. We are trying finally to close our books on the apartheid era and level the playing field with other provinces.” Of all nine provinces, the Eastern Cape had inherited “the most problems”, he said.

A thorough audit by two private firms of the Transkei government’s 20 departments, Ciskei’s 19 departments and the Cape Provincial Administration would be completed by the end of November. In some instances the last known audit was done in 1985.

Eastern Cape Provincial Service Commission chairman Hofmeyr Tsemigwe said public service rationalisation plans were almost ready for implementation, and would be completed by end-December. The Eastern Cape government had inherited 55 000 public servants from Transkei, 20 000 from Ciskei and 65 000 from the Cape Provincial Administration. The new administration had only 10 departments.

Mayatala said the provincial government would implement fully the Browde commission’s recommendations. Where necessary it would demand repayment of monies obtained illegally.

The commission under Acting Judge Jules Browde has so far looked into only the Transkei, justice and Ciskei finance departments. About 200 public servants are being investigated, mostly regarding irregular promotions and salary hikes.

Mayatala conceded that the irregularities — between April 27 1993 and September 30 1994 — had put considerable financial strain on the provincial budget “because they were never budgeted for”.

24/10/95
KwaZulu-Natal wants payment for water

Nicola Jenvey 8011/7/95

DURBAN — KwaZulu-Natal should be paid compensation by Reel business interests for water transferred from the province via the Drakensberg water scheme, KwaZulu-Natal economic affairs portfolio chairman Alex Hamilton said.

KwaZulu-Natal was "sustaining and growing" the economy on the Reel to its own detriment, said Hamilton.

Future investments in SA should consider natural resource allocation and human potential. Gauteng could not insist that water be pumped inland to sustain a rapidly growing economy, he said.

"Industry must come to the water, not vice versa. Each region has its own competitive advantage, but ours is being eroded without compensation."

KwaZulu-Natal had 27% of SA's population and 50% of the water, but contributed only 15% of national GDP. Exploitation of water effectively removed potential jobs from the province.

A 38 000ha region on the banks of the Tugela River had been identified for agricultural development, particularly high-intensive farming. However, funding to develop the infrastructure was not available.

If Gauteng paid for the water pumped through the Drakensberg water scheme, the money could be used to develop this region and create nearly 2 million jobs in an economically depressed area.

"It is total arrogance for Gauteng to assume this situation can continue unabated. KwaZulu-Natal has been penalised by political decisions concerning our natural resources for too long and something must be done about it."

KwaZulu-Natal economic affairs and tourism minister Jacob Zuma said his department was conducting an investigation into the province's overall economic position. This would analyse the assets available, their position and their best utilisation. Water was one issue being discussed.

"It is impossible to change SA's economic structure, but there has to be a rationalising of the situation and a balancing between rich and poor provinces," he said.

Continued on Page 2

Water

Continued from Page 1

Although water was available in the province, a vast percentage of the population had no access to potable water and the infrastructure was not in place to rectify the situation quickly.

Zuma said, logically, water could be neither a national nor provincial function, but rather be shared by both. Dams were of national concern, but the provision of water to individual houses had to be a provincial one. "The political emotions surrounding this issue must stop and the situation analysed practically and objectively."

See Page 8
E Cape council to aid recovery

BISHO: The Eastern Cape took a step towards economic recovery yesterday by uniting the provincial government, labour and business in a single socio-economic council.

The Eastern Cape Socio-economic Council will seek to stabilise the province's economy, market it nationally and internationally and get the RDP off the ground.

Speaking at its launch here, public works Minister Mr Thobile Mhlahlo said: "The council will ... advise and assist the provincial government to achieve an integrated development strategy.

"Our task is to create the structural framework within which the RDP is going to meet basic needs."

Mr Mhlahlo said a programme of action for the executive committee had been formulated and included enlisting the private sector to help rationalise the bloated civil service. — Sapa
**E Cape faces huge task**

Overcoming the apartheid-induced problems dumped on the area.

The province, which has the highest unemployment rate in the country and the lowest average income per head, has a limited budget because of the small size of the province. The province has the highest unemployment rate in the country and the lowest average income per head.

The province has been affected by the apartheid system, and the budget is dominated by the government's efforts to provide basic services such as education and healthcare. The province has a high level of unemployment, with many people living in poverty.

The province has limited resources, with a small budget and limited access to funding. The province has also been affected by the apartheid system, with many people living in poverty and lacking access to basic services such as education and healthcare.

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Kevin O'Grady

EAST LONDON — Bisho Airport in the Eastern Cape has started receiving regular scheduled flights for the first time since it was built by the Ciskei government in 1987 at a cost of R25m.

And plans are under way for the costly white elephant to be used as a freight terminal that should relieve the pressure experienced at East London Airport 70km away.

Eastern Cape transport minister Mandisa Marasha said yesterday Transkei Airways had instituted three flights a week between Umtata's KD Matanzima Airport and Bisho.

Bisho Airport, which has a staff of 60 and a runway long enough to cater for Boeing 747s, received only two scheduled flights in the first five years of its existence. Before the start of the Transkei Airways operation at the end of July, the airport had not received a scheduled flight in more than a year.

Marasha said she was waiting for a report on the success of the new scheduled flights, aimed mainly at businessmen unwilling to travel between the two former homeland capitals by road.

A decision on increasing the number of scheduled flights would depend on the contents of the report. If an increase was warranted, facilities at the airport would have to be upgraded.

Marasha said the provincial cabinet had also agreed on the need to create an international gateway to the province and that this should be at Port Elizabeth. It was hoped the decision, approved by the national transport department, would boost tourism, particularly along the Transkei coast.

The Airports Company was negotiating with international airlines to assess their interest in flying to the Eastern Cape, she said.

Infrastructure at Port Elizabeth Airport was in place and flights could start as soon as international airlines committed themselves to the idea.
Debt: Govt to help E Cape

BISHO: The government has agreed to help the Eastern Cape pay off an estimated R9.9-billion debt incurred under apartheid, President Nelson Mandela said at the weekend.

Mr Mandela confirmed this in a meeting with businessmen and community leaders here on Saturday, but gave no details of the terms of the concession.

"The tourism potential of the province is far beyond what is presently being exploited. For tourism to take off, you must rehabilitate your towns and cities, many of whose infrastructure is in a state of collapse.

"In this regard, the central government has undertaken to assist this province in settling the huge debt of R9.9bn inherited from the previous regime," he said.

'Agreement'

A government official said later the cabinet agreed recently to help the Eastern Cape to service the debt incurred mainly by the former Transkei and Ciskei homeland administrations.

"There has been no agreement to write off the debt, but the cabinet is willing to help service the debt, to pay a portion of the interest," the official said.

He said the Eastern Cape had to pay about R850 million in interest this year alone.

Yesterday, Mr Mandela took his local government election campaign to Uplington and accused the NP of waging a racist campaign for the municipal polls.

He told a rally of about 2 000 people the ANC had involved all languages and races in the national and provincial governments. — Sapa-Reuters
Sugar beet plan could solve job crisis

Kevin O'Grady

EAST LONDON — The establishment of a sugar beet industry in the Eastern Cape could be part of the answer to the province's unemployment and poverty problems, according to agriculture MEC Tertius Delport.

Delport said yesterday that the provincial government had sponsored a team to travel overseas to investigate the acquisition of an inexpensive, or free, sugar beet mill to enable the industry to get under way.

A number of sugar beet-growing experiments had been undertaken in the province and had gone very smoothly.

Experts from England had also visited the province to assess the suitability of conditions for growing the crop.

"The experimental plots were of a very high quality," Delport said. "We will have a better idea when we can start growing when we know if they have been able to secure a mill."

"Obviously the industry must be viable or we would not be supporting it financially," he said.

The cost of buying a new sugar beet processing plant could run into hundreds of millions of rands, and there could be a saving if the overseas team was able to secure the donation of a redundant plant.

Trial plantings were originally done near Cradock after the end of the First World War with the idea of settling ex-servicemen as farmers. However, opposition from Natal cane farmers put an end to any further development.
IDT has healthy finances after five years of progress

Edward West

CAPE TOWN — The Independent Development Trust (IDT) had between R100m and R200m left of its original funding grant of R2bn received from central government’s 1990 budget, CE Merlyn Mehl said yesterday.

At the IDT’s annual review, Mehl said the R2bn grant had been supplemented over the past five years with R1.3bn by investing the grant, R25m in 1993 from the sale of strategic oil supplies and R70m in the past year through the public works department for the IDT’s community employment programme.

He was uncertain as to what future role the IDT would play regarding government’s proposal to form a national development agency, suggesting that the IDT would either become an integral part of the agency or enter into a contract with it.

“We feel that with the experience and infrastructure we have created, we would be an obvious candidate to be part of the project,” he said.

Of the funds received and generated by the IDT over the past five years, by June R2.9bn had been allocated to more than 3 000 projects, and of this amount R2bn was already “in the ground”.

Mehl said the organisation had learned it was difficult to spend development funds rapidly. Necessary infrastructure needed to be created and process had to take precedence over product in the initial stages of development. Unless development was an empowering process, it would fail.

Projects undertaken by the IDT included the building of 5 000 classrooms over two to three years, of which more than 2 400 had already been built through 10 educational regional trusts. An amount of R300m had been allocated for this programme.

By the end of this year the IDT hoped to have funded the building of 300 new clinics in rural areas, for which R99m had been earmarked, while R115m had been granted over three years to development-related welfare projects.

The IDT had earmarked R70m over three years for pre-school facilities and training, while it had also launched the Thousand Schools project to upgrade the quality of education offered at schools in every province.

SAPA reports IDT chairman Mamphela Ramphele said that in its anxiety to eradicate the prejudices and injustices of the past through the reconstruction and development programme, government might be creating a “bureaucratic nightmare” which could undermine a development capacity nurtured over many years.

She said non-government agencies and community bodies which had matured after years of trial and error were a development resource which was the envy of many developing countries.

“Autonomous civil society structures are crucial for the participation of poor communities in their own development.”

Ramphele welcomed government’s initiative to set up a national development agency, which would create a vehicle for channeling development funding.

“It seems to me extremely important to reiterate the need for development to be independent of party political interests of the day,” she said.

Govt to help pay R9.9bn

BISHO — Central government has agreed to shoulder part of the burden of a R9.9bn debt inherited by the Eastern Cape from Transkei and Ciskei that has swallowed more than R800m of this year’s provincial budget.

Eastern Cape finance MEC Shepherd Mayatula said yesterday the decision was made recently by the Cabinet.

The amount to be serviced by government was still to be determined by audit of the former homeland and Cape homelands, he said.

The interim constitution provided for provinces to take responsibility for asset-related debts, but the former homelands had not been audited for up to eight years, Mayatula said.

He said R805m had been set aside from the 1995/96 provincial budget of R12bn to service the debt until such time as the agreement with central government was finalised.
Debt-ridden parastatals face closure

Kevin O'Grady

EAST LONDON — Five Transkei and Ciskei agricultural development parastatals could be liquidated as part of cost-cutting measures, Eastern Cape agriculture minister Tertius Delport said yesterday.

A commission of inquiry's final report on how to rationalise the Ciskei Agricultural Corporation (Ulimocor), the Transkei Agricultural Corporation (Traco), the Magwa Tea Corporation and the Transkei and Ciskei Development Banks is expected within 10 days.

"We don't know yet what we're going to do but we have to rationalise, that is for sure. We're spending a substantial portion of our budget financing these organisations and they are spending the money on salaries, the situation cannot continue," he said.

The parastatals employ thousands of people and are in considerable debt. Options open to government include scaling down, merging operations or opting for "total rationalisation — liquidation".

A number of irrigation schemes will be affected by the rationalisation, he said.

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Richemont
Compagnie Financière Richemont AG
("Richemont")

Rembrandt Group Limited
(Registration number 05/31/067/06)
("Remgro")

Cautionary announcement

Richemont and Remgro announce that they have commenced preliminary discussions with a view to determining the feasibility of merging their respective tobacco interests. Richemont's tobacco interests are held through its wholly-owned Dutch subsidiary, Rothmans International BV. Remgro's tobacco interests are largely held through its wholly-owned subsidiary,
Call for help on E Cape financial crisis

Deep-rooted administrative problems identified in the auditor-general's report on the former Transkei and Ciskei would belenguer the Eastern Cape for years to come, Eastern Cape Finance MEC Shephard Mayatula warned yesterday.

Testifying before Parliament's public accounts committee, he made an impassioned plea for the national Government to lead the way in "invading the province like a flood or a fire with your ideas on how to address these crises".

He was reacting to criticism from committee members who questioned the province's failure to institute proper financial controls following the release of the auditor-general's report on the TBVC states in May.

"However well our team does, come a year or two we will still have these problems because they are the baggage which is peculiar only to our province. Things in the Eastern Cape are literally not normal.

"The Eastern Cape problem is bigger than the Eastern Cape." While other provinces were moving forward, the Eastern Cape was moving backwards.

In his report of May 22, Attorney-General Henri Khuvesa said virtually all aspects of financial administration and control in the former TBVC states were totally unacceptable, with large sums of taxpayers' money being wasted.

This was illustrated by the "appalling state" of internal controls and accounting records in former Ciskei departments that had allowed widespread fraud.

Eastern Cape director-general Thozamile Botha said the problems identified in the report would continue until new financial control measures and a computer system were in place.

Questioned on the province's local authorities, many of which were reported to be on the verge of financial collapse earlier this year, Botha said no permanent solution had yet been found to address their problems.

"We can't set up control measures until legitimate structures are in place. One has to accept it is a daunting task to deal with both provincial problems and those of the local authorities."

Meanwhile, Eastern Cape Agriculture and Environmental Affairs MEC Dr Tertius Delport has appealed to provincial Premier Raymond Mhlaba to act swiftly and prevent the province from sliding into a total administrative and financial collapse.

He also warned that a collapse at local government level was imminent and was already evident in some municipalities.

In a recent speech to the provincial legislature, Delport urged Mhlaba to take firm steps to rationalise the civil service and set up an inspectorate to root out corruption, maladministration and incompetence.

He added: "Who will challenge me when I say civil servants in many offices are simply doing nothing?" – Sapa.
Mandela upsets T'kei tax ruling

PRESIDENT Nelson Mandela has intervened to reverse a decision exempting Transkeians from paying the five percent transition levy.

Mr Mandela is expected to address the issue on his visit to Transkei this weekend.

Mr Mandela said Finance Minister Mr Derek Keys and Eastern Cape Finance Minister Mr Shepherd Mayatula had acted immediately to "reverse an announcement that the transition levy would not be deducted in Transkei this month.

"The government cannot allow tax collection to be interfered with."

He stressed that all employers would be required to make the necessary deductions.

A source in the President's Office said the source of the problem lay in Transkei, where the old administration had decided the transition levy should not apply.

Mr Mandela said a number of problems had arisen in the payment of salaries out of the account of the former Transkei.

He was in the process of appointing a judicial commission to investigate the salary position in Transkei.
Go-ahead for small business Bill

Tim Cohen

CAPE TOWN — A slightly amended National Small Business Bill was given the go-ahead by all political parties at the parliamentary trade and industry committee yesterday and is likely to be passed by Parliament later this week.

The Bill, intended to support small, medium- and micro-sized enterprises envisages the establishment of two statutory agencies, the National Small Business Council and the Ntsaka Enterprise Promotions Agency.

Committee chairman Rob Davies said while the Ntsaka agency would not itself provide finance to small enterprises, it would operate as a wholesale support agency for small businesses.

The legislation also authorises the trade and industry department to issue guidelines to create the conditions for government support for small businesses.

The committee yesterday heard evidence from the Micro Business Chamber which argued that the Ntsaka agency was unnecessary.

According to Lawrence Mavundla, head of African Hawkers and Informal Businesses, a Micro Business Chamber member, the agency did not satisfy the needs of chamber members, mainly the need for capital.

Mavundla said that from its inception — it is currently a non-statutory body — the agency had simply provided referrals and advice, without helping individual entrepreneurs with their real needs.

He complained that submissions of micro-business representatives had been ignored at "endless workshops" which were "feeding schemes" for those attending.

The committee went some way to incorporating the points made by the chamber, giving priority to the delivery functions of the council in the legislation and making it clear that research would be a secondary function.

Cosatu argued at the hearings that guidelines issued by the minister should not be interpreted as mandatory directives. The guidelines should not be capable of overriding other legislation on, for example, working conditions and health standards.

Cosatu said in deciding on the guidelines, provision should be made for trade unions to be consulted.

The committee accommodated some of Cosatu’s submissions, proposing the inclusion of procedures for consultation with "small business organisations, trade unions and other organisations".

Davies said the short hearings on the Bill were not ideal. However, as transcription legislation, it was of a high priority.

Attorneys hit out at motor fund

Linda Ensor

CAPE TOWN — Attorneys were just one voice in opposition to the Multilateral Motor Vehicle Fund’s (MMF) proposals for a new form of vehicle insurance, Johannesburg Attorneys’ Association chairman Ronald Bobroff said yesterday.

Commenting on critical statements made against attorneys by MMF CE Willem Swanepoel Bobroff said almost the entire spectrum of SA business had condemned the draft white paper by the MMF.

Swanepoel said attorneys contributed to the fund’s R7.3bn liabilities by charging exorbitant fees. Bobroff said attorneys could not simply charge what they wished but were bound by set fees.

Province jubilant over finances

BISHO — Nearly 80% of Eastern Cape municipalities are in financial difficulties and a national government investigative team is looking at corruption and incompetence in the province, but yesterday the provincial finance department settled itself on the back.:

Finance MEC Shepherd Mayatula told the Eastern Cape legislature that: “It is good to stand at this podium when we are in charge of finances and give a clean bill of health, especially if you look at where we are coming from.”

Members of the provincial finance and expenditure standing committee also congratulated the department on its work.

Mayatula told the legislature that perceptions of the province as “the worst” should be dispelled by “the statistics”. He admitted that R31m in cheques had been stolen, but said because of security measures only R326 000 of this was cashed.

He said it was difficult for cheque theft to occur in Gauteng where direct bank transfers were the usual method of payment. Finance standing committee chairman Siphiwo Mazisane said 80% of Bisho’s creditors had now provided banking details so electronic transfers could take place.

Meanwhile, staff from provincial director-general Thozamile Botha’s office said they were compiling a report emanating from a visit by national public servants and British and Swedish experts. The team was sent to the Eastern Cape by the Cabinet to prevent the province spinning out of financial control.

Deputy President Thabo Mbeki, Finance Minister Trevor Manuel, Public Services Minister Zola Skweyiya and others have also visited the province this year and expressed concern at its image of corruption and incompetence. — Eca
A BOLD initiative aimed at wooing investors to the Eastern Cape was launched in East London this weekend with economic MEC Smuts Ngonyama challenging every business in the province to attract one more.

Ngonyama was upbeat about the potential of the new Centre for Investment and Marketing in the Eastern Cape (Cimec) to help the province shake off its weary image.

He said the government-funded centre – to be in full operation by March 1997 – would be a single point for market information and support for business.

He added that with a level-headed, selfless and focused leadership, the Eastern Cape government could work with Cimec to reduce the province’s “unacceptable” unemployment rate by 40 percent within the next 10 years.

It is estimated that about half of the Eastern Cape’s employable people are without work.

He admitted that the report card of the province was not all bad. There had been many successes.

These included:

- Some 3,500 houses built at a cost of R85 million;
- A total 137 new schools will be handed over by the year end;
- About R37 million has been invested in over 550 companies resulting in the creation of 33 new enterprises;
- The Wild Coast and heavy industry spatial development initiatives were being established; and
- About R50 million had been invested in small, medium and macro enterprises creating about 12,000 new jobs.

Acting Cimec chief executive officer Don Maclean said Cimec was the fourth such investment body to be launched in South Africa to sell the country’s potential to domestic and foreign markets.

Maclean said Cimec’s personnel would move throughout the province next year explaining the benefits of joining the agency.
Idasa calls for help in Eastern Cape

CAPE TOWN — Bureaucratic malaise in the Transkei and Ciskei was seriously hampering the Eastern Cape government’s attempts to address poverty in the province, the second poorest in the country, according to the Institute for Democracy in SA (Idasa).

Central government should seriously consider seconding capable officials to help the provincial government address this problem, Idasa’s poverty reduction monitoring service co-manager Conrad Barberton said in a publication by Idasa’s public information centre.

Barberton stressed the importance of provincial governments and departments becoming more involved in the national planning and budgeting processes.

He said the government failed to prioritise its reconstruction and development programme goals with the result that MPs and bureaucrats were left to “milk around like a flock of sheep at an abattoir”.

“They know there is a crisis but they have no effective plan for escaping from it.”

The inability to prioritise development goals permeated all levels of government, Barberton said the government was short-sighted in not recognising some issues were more important than others.

Getting the basic nutrition programme off the ground, for instance, was more urgent than attending to land claims even though they might be equally important.

Prioritisation was vital if the government was to use all the resources at its disposal as effectively as possible to meet the challenges facing the country.

It would also minimise the likelihood of politicians and officials using policy and public funds to further their own interests, he said. — Sapa.
ECONOMY - E. CAPE
1997
Eastern Cape overspends by R2.4bn

The Eastern Cape government has spent R2.4bn more than its 1996/97 budget of R14.2bn — half of it on staff increases and better working conditions.

This was revealed to the legislature yesterday by finance MEC Professor Shepherd Mayatula in the debate on the Advancements Appropriations Bill that annually precedes the next financial year's budget.

Mayatula presents the 1997/8 budget next month.

He said staff salary increases accounted for R1.2bn of the spending.

Rolled over money, unspent in the previous financial year, accounted for another R620m.

The other R700m of “unforeseen and unavoidable” spending came from varied sources.

These included severance packages offered to staff at the agricultural department’s bankrupt parastatals, totalling R74.9m, while the transport department had to spend R10m when its Eastern Air Corporation folded.

The department with the widest seam split was education, culture and sport with a whopping R822m.

Half of this was for improved staff working conditions, while most of the rest was national grants unspent in 1995 on nutrition and education programmes.

The finance department had the next biggest budget overshoot, R718m, but that was because it had to hand out money to other floundering provincial departments.

The premier’s office, the legislature and the department of safety and security were each less then R10m over their budgets. — Ecn. 
Decision soon on E Cape harbour

GRAHAM LINSCLT

THE clock is ticking away to a decision that will have huge impact on the Eastern Cape — beneficial for some, brutal for others. The central government and Transnet are due to announce any day now where a new harbour is to be built: Port Elizabeth or East London.

The harbour will serve a new Gencor zinc smelter and associated Kynochs petrochemicals plant, worth an initial total investment of R20-billion. That is expected to double over the medium term.

The existing harbours of Port Elizabeth and East London would not be able to handle the bulk freight involved. One plan is to dredge a new harbour out of the present commercial salt pans at Coega, north of Port Elizabeth, the other is to build a new harbour on the West Bank at East London, or to extend the present harbour.

Feasibility studies are underway at both ports, and the Eastern Cape provincial government has voted R3-million for a study of the Coega project, which has created uneasiness in East London. Officially, the two port cities are not in competition. They are part of a Spatial Development Initiative (SDI), which is supposed to link them in a complementary way.

But the fear in East London is that if the zinc smelter-petrochemicals-harbour development goes to Coega, other cargo normally handled in Port Elizabeth will go there as well. That would allow Port Elizabeth to go over almost entirely to container cargo, which would mean hardly any freight going through East London, which is already at a low point in tonnages shifted. As one business

East London and Port Elizabeth are not in competition, but the harbour decision is a ticklish one.

East London has put it: “Then we just switch out the lights.” There has been hopeful talk in East London of Malaysian interests establishing an oil refinery, but the big question then is how the refined petrol and diesel fuel would be shifted — and where? East London does not have a fuel pipeline to Gauteng, as Durban does.

The harbour is a multi-billion decision and a ticklish one. To locate at Port Elizabeth might make economic sense, but it would decisively shift the centre of gravity even farther from the Eastern Cape hinterland, where the Transkei and Ciskei are among the most depressed parts of South Africa, yet, at the same time, the biggest reservoirs of African National Congress political support.

It would, in a sense, be counter to the thinking that made the Eastern Cape decide on Bisho — inland from East London, as its provincial capital, strategically located as it is to serve both Ciskei and Transkei. It could even be construed as tacit support for the argument, still heard, for the Eastern Cape to be divided into two provinces — one centred on heavily industrialised Port Elizabeth, the other consisting of the old Border, Transkei and Ciskei regions.

In theory, it is possible that central government and Transnet could decide new harbours should be developed at both Port Elizabeth and East London. However, East London is under no illusion that if Port Elizabeth should get priority, it could have a long wait, because it would have to find anchor tenants such as Gencor and Kynochs to justify it.

East London is known as the “Fighting Port”, a name derived from the Frontier Wars of previous centuries. Its next fight could be for economic survival.
Huge sugar beet project set to sweeten economy of E Cape

By Hopewell Radibe
Provincial Reporter

Eastern Cape has undertaken to start a massive sugar beet plantation which will bring revenue of about R200 million to the government, according to Economic Affairs MEC Smuts Ngonyama.

Launching the project on Friday, he said the sugar beet would be planted next year and would be ready to be processed in a Cookhouse factory from 1999.

The project has the potential to create more than 4000 jobs. He said arrangements had been made for 1500 emerging farmers and 200 commercial farmers to plant the vegetable, and the East Cape Sugar Beet Company to harvest and process the crop.

East Cape Agriculture Co-operative managing director George Ward accepted a R500 000 cheque from Ngonyama for the study work conducted to assess and promote the project.
Coega project is costed at R1.5bn

JACK Dbewes

Port Elizabeth — The private sector would need to invest R1.5 billion to bring to life the Coega deep-water harbour project in the Eastern Cape, Paul Jourdan, the co-ordinator for special projects for Alec Erwin, the trade and industry minister, said on Monday following a meeting of a committee of cabinet ministers in Pretoria.

The government has undertaken to consider a system whereby the investor finances and builds the port, operates it for own profit for a negotiated number of years, and then transfers ownership to the state.

The R1.5 billion figure includes the development of infrastructure for the industrial zone surrounding the harbour.

Gencon, the mining group, needs to make a final decision about the siting of a zinc refinery no later than August.

But the question arises over how much money the government will be willing to pay for infrastructure such as the breakwater, from which the investor cannot expect a calculated return.

There was no direct clarification of this following this week’s meeting of a committee of ministers, referred to as the Cabinet Investment Cluster. The meeting, after being briefed by Port Elizabeth town clerk (and Coega IFZ Initiative Company member) Graham Richards, was reportedly “euphoric”.

After discussions with Enoch Godongwana, the Eastern Cape MEC for economic affairs, Jourdan said a consortium was needed to build the port.

The Public Servants Act prohibits project team members from issuing statements to the media concerning their meeting with the ministers. Kevin Wakeford, the chief executive of the Port Elizabeth Regional Chamber of Commerce and Industry, declined to comment.

Last Friday, Eastern Cape government said it supported the Coega project. Thozamile Botha, the provincial director-general, called for “everyone’s support.”
Alarm over govt view on Coega funds

Ingrid Salgado 4/9/97

PRIVATE sector stakeholders in the proposed Coega industrial development zone have hit out at a government suggestion that business fund in part the development of the zone and harbour outside Port Elizabeth, estimated to cost R1.6bn.

Coega facilitators yesterday expressed alarm that government could fail to fund the initiative, saying an investment crisis could be on the cards.

Private sector players had rejected the state’s proposal as business players were already planning to invest a combined R5bn in industrial operations in the area.

A government decision to back the project financially has to be taken by mid-month if private sector players like Gencor – which is planning a R2.5bn zinc refinery in the area – are to retain Coega as their investment sites.

Gencor’s plans in Coega are conditional on the port being up and running by 2000, to take advantage of forecast world zinc demand.

Other projects, such as Kynoch’s R640m phosphoric acid plant, depend on the Gencor plant going ahead.

Pretoria Portland Cement (PPC), which could establish a R500m cement factory in the zone, said yesterday: “To expect a port’s dead infrastructure to be financed by the private sector is totally devoid of economic reality.”

“This kind of infrastructure requires a public sector commitment. Once the infrastructure is in place, only then can we realistically talk about a public-private sector partnership.”

Earlier this week, trade and industry department coordinator for special projects, Paul Jourdan, hinted that government was relying on the private sector to finance the development. However, he recognised that finding private capital was problematic as the project would produce only a 2% real rate of return in the first phase.

PPC said it was government’s role to create an environment in which the private sector could create wealth.

“This requires a commitment to provide the initial funding for the Coega zone and port.”

Port Elizabeth regional chamber of commerce and industry CEO Kevin Wakeford said although government was being asked to pump R1.5bn into the project, it was projected to receive R5.8bn from personal company tax, VAT and duties by 2005.

The construction phase would generate at least 26,000 jobs and the anchor projects another 14,000 jobs.

“This should be reason enough to immediately commission the financing and construction of the port,” Wakeford said.
Exhibition helps to boost business between France and SA

Radio Interview

Ip Biomimetics Referendum bid

Form Spur's Cape 2 Zone

On a former site now occupied by a new school, the French government has announced a major investment in the region. The new facility will provide modern educational facilities and support the local community. The project aims to create jobs and stimulate economic growth, furthering the partnership between France and South Africa.
Coega plan closer to docking

JONATHAN Rosenthal
INDUSTRIAL EDITOR

Johannesburg — A ministerial committee has backed the development of a R1.5 billion deep-water port and industrial development zone at Coega near Port Elizabeth in the Eastern Cape, the trade and industry department said yesterday.

The ministerial committee had given “in-principle support to the project” and would work with the provincial and local government to finalise the technical and consultative work so that the Cabinet could give the final go-ahead.

The announcement comes days before the expiry of a one-month deadline set by Gencor, South Africa’s second biggest mining house, which is planning to build a R2.5 billion zinc refinery at Coega.

Late last month, Gencor said unless the government came up with funds to develop the new harbour within a month, it would site its refinery in East London.

The costs to develop the harbour and associated infrastructure have been estimated at R1.5 billion, but the government has given no clear indication of whether it will pay this or look to the private sector for finance.

Doug Reed, the Coega project director, said yesterday a financial package was still being put together and the parties would now enter into negotiations with Gencor to take advantage of “a window of opportunity”.

Reed said final feasibility studies to “rightsize” the port and industrial zone were still under way.

The project has been backed by several other companies including PPC, which plans a R500 million cement plant, and Kynoch, which has proposed a R540 million to R650 million fertiliser factory.

Willard Batteries, Samancor, Iscor and Murray & Roberts are also believed to be interested in establishing operations in the industrial zone.

“This is an important step forward in the development plans of the country and the province.

“Every step will be taken to ensure that the project is environmentally sustainable and that it has no adverse effects on other key industries in the area.

“Once the Cabinet has processed the matter in the near future, further more detailed announcements will be made,” the trade and industry department said.
Coega harbour funding talks

PORT ELIZABETH — The financing of the proposed Coega harbour, which hopes to attract Gencor's R2.7bn zinc refinery, will be discussed at a meeting of the Coega Industrial Development Zone (IDZ) Initiative Board in Port Elizabeth this morning.

The meeting, postponed from last Friday, will be attended by trade and industry department director Paul Jourdan, and Gencor Zinc Project manager Norman Green.

With all the preliminary studies for the project wrapped up and government having given its in-principle support for the project, all that has to be settled is how the basic infrastructure is to be financed.

Jourdan said no major announcements could be expected at today's meeting. "The process has been set up so Coega moves forward to a successful outcome. And that will take a while."

He confirmed that behind the scenes discussions were taking place to find the development. "I can assure you that government, Gencor, Transnet and local government are all working together to ensure a successful outcome."

Urgent financial backing for Coega is needed because Gencor, the anchor tenant in the project, will be discussing the siting of its zinc refinery from next month, Green said.

Earlier this week, Green played down the cabinet committee's in-principle support for Coega, saying it was nothing new and that government had to come up with something more substantial to convince Gencor to build its refinery at Coega.

"We are waiting to see what is going to come out of the meeting," he said. If there was no definite word on funding, "we can make a decision by default."

East London was not written off as a potential site for the smelter as its existing infrastructure was suited to Gencor's requirements.

The planned East London IDZ proposed the building of a core industry and the development of satellite factories around it. A number of manufacturers would want to be situated close to the zinc refinery to use the sulphuric acid produced as a by-product of the zinc-making process."
Fish River initiative attracts R1.5bn

LUCIA MUTIKANI

THE Eastern Cape government had clinched deals worth more than R1.5bn for the Fish River spatial development initiative, Eastern Cape economic affairs, environment and tourism MEC Enoch Godongwana said yesterday.

He said the projects would be launched at an international investors' conference in November. The deals covered the automotive industry, tourism and forestry sectors, and excluded the R1.5bn Coega harbour and industrial project.

"We are talking of no less than R1.5bn to be announced at the conference, excluding the Coega tenancy, the Gencor plant and the Pretoria Portland Cement fertiliser plant."

The Fish River initiative was one of many economic projects being pursued by the provincial government in a bid to inject local and foreign investment into the province, classified as the country's poorest.

The initiative, located along the southeastern coast of the Eastern Cape, aims to provide local entrepreneurs, international and national investors and fledgling businesses with investment options. Areas of investment identified include manufacturing, agriculture and tourism.

"Over R2bn was invested in the motor industry in the past 18 months and we are expecting about R500m this year," said Godongwana. A number of development projects were proposed.

"Large pockets of prime industrial land will soon be available to private investors to develop, operate and manage the Coega and East London industrial development zone," he said. "Government will soon invite consortiums to bid for the development and management of these zones."

Godongwana said that should Gencor decide to set up a R1.5bn zinc smelter in Port Elizabeth or East London, a number of additional opportunities would become available to local suppliers and subcontractors.

"Not only will Gencor's investment result in spin-off projects such as the establishment of Kynoch's fertiliser plant, but a broad spectrum of smaller-scale projects will become available."

Vacant or underutilised industrial buildings owned by government represented major opportunities for innovative investors to turn them into viable entities, said Godongwana. Government was considering options for drawing in the private sector in the management of these facilities.
Unique package for Wild Coast corridor

Johannesburg — A unique investment package was being developed to prop up the Wild Coast spatial development corridor (SDC) as the anchor road which would not be sustainable on its own, Mac Maharaj, the transport minister, said this week.

"The road, which will run between Port Edward and Port St Johns, will need a minimum of six bridges and cost something in the order of R1 billion.

"We would not be able to build that road as a government, and the private sector would not be able to take it because even toll roads would not sustain it," Maharaj said.

He said a different planning strategy was under way to create a basket of projects to package the road with agriculture, forestry and tourism projects to attract investment to the Wild Coast corridor.

"We have a duty as a government to structure a package that will be acceptable to both the communities in the region and at the same time attract the private sector," Maharaj said.

The road is expected to create a more efficient transport route between the northern and southern part of the region to open it up to the rest of the Eastern Cape province.

The total value of investment inflows into the region is estimated to be in excess of R3.5 billion.

Maharaj was recently nominated by a US journal as one of the top eight transport ministers worldwide. He was specifically cited for his role in conceptualising and driving the Maputo Development corridor.

Maharaj said the construction of the road to Maputo would start by January next year, while contracts for the development of ports and rail should be awarded by December this year.

"We have been working with the Mozambican government to establish a one-stop border post to facilitate trade and we will be finalising that soon," he said.

Maharaj said he was working to elevate transport as the "grease" in driving the South African and regional economy and welcomed the proposed commercialisation of the South African National Roads Agency (Sanral).

"We know that road users are willing to pay so long as they are provided with good services, and we will work hard to stamp out overcrowding, reckless driving and other offences to make it easier for people to use our roads."
End of Wild Coast road

Economic reality has derailed plans to build the Wild Coast toll road, writes Craig Bishop

Less than two weeks before an important international investors' conference in East London on the Wild Coast spatial development initiative (SDI), the government is learning its development lessons the hard way.

The Department of Transport has shelved plans to construct a R1.5-billion Wild Coast toll road through the former Transkei, which has been vehemently resisted by local communities and environmentalists.

The toll road's opponents may celebrate the decision, but they cannot take the credit — economics, not activism, was the primary motivation for the decision.

National Department of Transport chief director of roads, Dipak Patel, says an analysis based on toll revenues and traffic studies revealed that the toll road was not economically viable.

It was also clear that many of the road users, especially locals who regularly travel between Port Shepstone and Port St Johns, could not afford the fee — about R35 a trip.

Patel, who chairs the Wild Coast initiative implementing authority, admits he was never under any illusion that the economics of the toll road were "very tight".

He says: "Studies showed that the majority of road users would be local traffic who could not afford the toll fees. As we honed our viability assessments with finer and finer information, we saw that the road was simply not economically possible."

International merchant banking firm Deutsche Morgan Grenfell's financial adviser, Martin Locke, agrees that the road would have fallen into a debt trap.

"The peak debt funding requirement (including interest during construction) is R1.486-billion, with R123-million being funded with equity. Initial annual toll revenue, (under a high scenario) is projected at R274-million escalating at a real 3% per annum and an inflation assumption of 10%. The toll road would not have been able to service its debts."

"The initial debt service payments amount to R328-million compared with the net cash-flow available to service debt of R24-million."

Locke says the decision has been well received by international and domestic parties. Many people had "jumped the gun, believing that the decision to build the road had already been taken but we do not even have road alignment at this stage."

"There is no point in the government putting out a half-baked project. It is wrong to expect the private sector to be the panacea for solving financial problems associated with projects. It is far more appropriate to see government carrying out thorough feasibility assessments."

In addition to traffic studies, Patel points out that the projection of access revenue from agri-tourist projects in the region has been found to be insufficient to sustain the investment.

But he adds that the road is not completely off the agenda and the government may revisit the plans once other initiatives projects are up and running and the projected earnings have been recalculated.

"We have learnt a lesson here. Now we have refined our methodology in viability assessments and are in a unique position to learn from experiences in packaging projects for the international private sector."

But the decision to shelve the toll road will not affect the rest of the initiative's projects, which will see an estimated R3-billion of corridor development invested in tourism, agriculture and forestry in South Africa's Cinderella region.

This week, Eastern Cape Economics Affairs and Tourism MEC, Enock Godungwana, stressed that the national government remains "firmly committed" to the Wild Coast initiative.

All four tourism nodes at Port St Johns, Mkambati, Dwesa/Cwebe and Coffee Bay will still go ahead, and an R180-million injection into agricultural projects, creating 10,000 jobs, is envisaged in addition to the development of 100 000ha of potential forestry in the Lusikisiki, Mount Aylliff and Libode areas.

"We envisage about R100-million will be spent on road-related infrastructure in the next 18 months. Our re-look at this region with its major economic potential as an agro-tourism initiative shows we still have attractive viable projects which will be presented to the investors' conference on November 7," says Patel.

Hugh Tyrrell, of the national economic affairs and tourism department's coastal management project, CoastCare, is not convinced that private-sector investors are best suited to bring about community development in the former homeland.

"We need local economic development rather than handing over concessions to investors and hoping that they will have the necessary grasp of realities on the ground to bring about community economic upliftment."

Asked if the decision to stop the toll road proved that economic consideration will always outweigh environmental concerns, Patel says he believes the government has acted courageously.

"Economic reasons will sway the government within reason, but it has had the courage to be upfront. This speaks volumes, and it is unfortunate if the environmentalists see it as a victory over the government."

Patel denies that international investors will not be put off by the government's backtrack on the toll-road. He stresses that South Africa enjoys a good international reputation over its initiative-style corridor development, pointing to the transparent adjudication process over the Maputo corridor.

"This points to a government that is willing to package projects for the private sector that have viable returns."
Row over developing the Wild Coast

Their response was immediate. The Wild Coast is not a resource to be exploited or developed in any way. It is a precious ecosystem that needs to be protected and preserved for future generations. The people of the Wild Coast are determined to preserve their way of life and the natural beauty of their land. They are not willing to sacrifice their livelihoods or the health of their environment for the sake of tourism or development.

The Wild Coast is not just about land and sea; it is about the people who live there. They have a deep connection to the land and the sea, and they are determined to protect it. They understand the importance of sustainability and the need to preserve the natural balance of the ecosystem.

The Wild Coast is a testament to the power of community and the importance of standing up for what you believe in. It is a place where people come together to protect what they love, and it is a reminder of the need to prioritize the environment over profits.

The Wild Coast is a place of beauty and wonder, a place where nature is able to thrive in its natural state. It is a place where people can connect with the land and the sea, and it is a place where they can live in harmony with the natural world.
PHOTOGRAPHIC EVIDENCE

MINISTER OF EDUCATION

Mr. White, the Minister of Education, has announced a major policy change in the education sector. The new policy focuses on improving access to education for rural and remote communities. The Minister has stated that this is a priority and that significant resources will be allocated to support these efforts.

WAR ON POVERTY

The government has launched a comprehensive plan to combat poverty. The plan includes measures such as increased funding for social services, job creation programs, and investment in education and training.

R300m to be spent on poverty

The government has allocated R300 million to poverty alleviation initiatives. The funds will be used to support programs aimed at reducing poverty and improving living standards. The Minister emphasized the importance of these initiatives in achieving the goal of eradicating poverty.

NEWS

Cape Times

THURSDAY, NOVEMBER 20, 1997

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Schemes which cannot support themselves must die — expert

ANALYSIS
E Cape gets
R29.5m boost

By Shadrack Mashalaba

The Industrial Development Corporation (IDC) and the
Amalgamated Banks of South Africa (Absa) have announced a joint cash
injection of R29.5 million to assist the
ailing Eastern Cape economy.

The IDC has donated R10 million
with Absa providing the balance. The
project, which is expected to start at
the beginning of next month, is expect-
ted to create between 100 and 250 jobs
in the first phase.

IDC managing director Khaya
Ngqula said his organisation was com-
mited to financing viable, sustainable
and job creating investments.

He said the IDC's focus was on
manufacturing, mega-projects, emerg-
ing entrepreneurial development,
tourism, agro-business and small-scale
farming. Phase one is expected to be
completed by November 1998.
Regions sign deal
to boost jobs

By Shadrack Mashalaba

EASTERN Cape Premier
Mukhenkisi Stofile and the minister
for economic affairs for Emilia
Romagna region in Italy Dr Duccio
Campagnoli signed a declaration of
intent for economic cooperation.

The agreement between the two
regions took place in East London
during the international investors
conference to announce investments
in the Wild Coast and Fish River
Spatial Development Initiatives
(SDIs).

The declaration of intent will
develop relationships of cooperation
and solidarity in the economic, social
and cultural spheres.

As a first step Emilia Romagna
will send a group of experts as part of
a skills exchange programme.

This group of experts will look at
offering assistance in the business,
construction and tourism sectors.

The Eastern Cape will also send a
delegation to Italy in a reciprocal
move.

Emilia Romagna has a population
of four million people and is situated
in the North of Italy.

It is the tenth richest region of
the European Union.

Today its economy is driven by
a high concentration of small and
medium sized businesses.

It was proposed that cooperation
between the two regions should pri-
marily focus on assisting employ-
ment growth in the Eastern Cape.

This will be done through the
stimulation of economic activities
among the disadvantaged communi-
ties in the province.
Government goes ahead with R1,5-bn E Cape port development.

East London - The Cabinet has approved construction of the Coega port development and an industrial development zone outside Port Elizabeth.

Trade and Industry Minister Alec Erwin said yesterday the Government had formally approved the R1.5-billion project and would provide further details of its participation early next month.

"Cabinet has decided that we should proceed with this project and complete all the work to bring the project to fruition," Mr Erwin said at the launch of the Eastern Cape Spatial Development Initiative in East London.

An implementing authority had been established to table legislation on the port and provide the regulatory framework for the port and an accompanying industrial development zone (IDZ).

Export-focused projects in the IDZ would qualify for tariff-free concessions on imported components.

The planned deepwater Coega port would be able to handle 85 000-ton freighters, and both bulk and specialised cargo.

Mr Erwin said his department was currently involved in intense consultations with large anchor projects, parastatals, finance house, the Industrial Development Corporation, and environmentalists to put the finishing touches to the proposal.

Final details on the port and the IDZ should be made known on December 3, he said. - Sapa
The investment signifies the start of a 12-billion rand expansion at the Eastern Cape-based company, which will position the province as the leading producer of pyrophyllite in Africa. The investment is expected to create hundreds of jobs and significantly contribute to the local economy.

"Our company is committed to boosting the economy of the Eastern Cape," said Mr. Robertson. "This investment is a testament to our commitment to sustainable development and social responsibility."
In defence of the Wild Coast project

On the eve of the investors' conference, Paul Jourdan puts the case for the government's development initiatives.

Paul Jourdan

The idea behind the Wild Coast development initiative is to provide a means of giving government more job-creating bang for its very limited bucks. It is too important a national strategy to be developed by vested interests and narrow agendas.

The core of the Wild Coast idea is a comprehensive plan for the Fish River and Wild Coast initiatives—shown that, in some quarters, there is very little understanding of the concept (or the need for trade-offs between political, ideological, environmental and even government interests. In order to create jobs.

While the Department of Trade and Industry, where the programme is based, considers initiatives to be an integral part of the initiative's development, it moves away from sound economic principles—because of narrow agendas—initiatives will lose their attraction to investors. And South Africa will lose jobs. Simply put, spatial development initiatives are a package of measures that aim to attract investors into a bundle of economically sustainable projects in a region with the potential for growth.

The Initiative approaches to economic development outlined below is not a leap of theory on the part of the department. The programme followed out of the success of the Mufuli Development Corridor. That initiative realized $16 million and has taken, on a life of its own in terms of drawing in more investment.

The Fish River and Wild Coast initiatives have about $20 million worth of investment projects lined up—should projects be included in the package. The government's financial investment in an initiative is limited to less than 10% of the total amount. Given that the private sector is also very risk-averse, the government can reasonably

sure that any projects the private sector joins stand a much better chance of success. Joint projects also allow the government to tap project management and other skills that are already in the private sector. By sharing some of the cost, the government departments involved in the initiatives can spend their money on key infrastructural projects which will make the targeted areas more attractive investment destinations. The departments are also involved in cutting back the national, provincial and local bureaucracy that deters potential investors.

Andhra Pradesh's initiatives are set up to identify themselves. They must have a proven economic base because the programme simply aims to loosen constraints and allow them to grow to their maximum potential. Given that most initiatives are aiming for the global market, they are likely to be located near the infrastructure that will determine their international competitiveness, like ports, cheap power supplies and so forth.

Setting up an Initiative is a quick process and it should only take a year from projects being identified to investors beginning to buy into them. The department accepts that there are many real concerns about initiatives which have to be worked through. However, it must be kept in mind that the programme is here to create jobs, and the deciding factor when balancing the trade-offs, between various interest groups is how many more people will be involved.

Paul Jourdan is coordinator of special projects at the Department of Trade and Industry.
E Cape tourism gets a R350-m boost

By Shadrack Mashalaba

THE second phase of the R350 million Port St Francis project, aimed at promoting tourism in the Eastern Cape, was unveiled by the developers yesterday.

This phase, known as the Village Six project, is situated 105 km from Port Elizabeth. It will include the construction of a prime residential complex.

It will comprise 92 luxury apartments and seven penthouses on the water along the yacht basin and across the water from Port Island.

Port St Francis project developer Bryan Knox said the projects were part of the Reconstruction and Development Programme initiative.

Knox said a four-star resort and conference hotel will also be built in 1999.

A new retail complex currently under construction will also be opened next month. It will include a restaurant and a pub.

To date R80 million has been spent on the project.

About 400 jobs were created in the first phase which included a residential development comprising 110 luxury houses launched last November.

Knox said between 1 000 and 12 000 jobs will be created in the construction, with between 300 and 500 jobs expected to be created in the fishing sector.

The previous project also included the construction of a R25 million harbour completed last month.

Once completed, the project will boost tourism and fishing in the region. The Port St Francis harbour exports R400 million worth of fish every year to Japan and Europe, said Knox.
Casinos could net R1.5 bn in investments in E Cape

By QUENTIN WRAY

MORE than R1.5 billion in new fixed investment could flow into the Eastern Cape when the province’s five casino licences are granted on May 19 next year.

Officials also said that a study showed that building a casino in Port Elizabeth would create 3,200 construction jobs and 1,700 full-time posts afterwards.

Eastern Cape Gambling and Betting Board chairman Vuyo Poswa, who came up with the figure of R1.5 billion, said “thousands” of jobs would be created in the construction phase and in running the casinos.

Many more jobs would flow to downstream businesses.

However, he said, the scale of the investment depended on who won the licences.

He said there were 12 bidders in the running and they had expressed interest in all zones except for Zone 4 which covered Umtata and its surroundings.

If licences were allocated to Port Elizabeth and East London, fixed investments of more than R700 million would be made in each of the province’s two cities.

Successful applicants had to furnish guarantees that they had enough financial backing.

Gambling Board CFO Mac Gantsho said a study commissioned by the board had shown that if a casino were to be built in Port Elizabeth, 3,200 jobs would be created in the construction phase.

There would also be 1,700 full-time posts created. This included all jobs in downstream and support industries.

When asked about the effect that losing casino licences would have on communities near the Fish River, Amatola, Wild Coast and Mdantsane Sun hotels, Poswa said there would be “obviously job losses”.

All casino licences expire on May 10.

However, he said job losses would be absorbed by the new casinos and the number of jobs lost would be exceeded by those created.

He said people must not be “sentimental” when looking at job losses in poor rural areas.

He said the board had to serve the “broad interests of the Eastern Cape and not just those of one community”.

Poswa said the 12 interested parties had until Monday to hand in their request for proposal forms.

The board would then inspect the proposed premises for the casinos and send copies of applications to affected local authorities.

Interested parties had until January 21 to object to the proposals.

Objections had to be forwarded to the applicants within a week and responded to by February 22.

He said public hearings would be held in the last week of March and the board had to complete all its investigations by April 6.

Successful applicants were to be notified on April 19 and the licences would be awarded by May 18.

Applicants had two years to get the casinos up and running in terms of their proposals.

AMP(49C)
Economy - Eastern Cape

1998 - 1999
Development body merger on track

BISHO — The merger of four Eastern Cape economic parastatals into the East Cape Development Corporation will continue despite a string of hired and fired insiders, floods and fraud investigations.

Since March 1994 the provincial government's economic affairs department has gone through four boards of directors.

The most recently appointed are a high profile trio consisting of Transkei presidential project team chairman Pepi Silinga, Border-Kei chamber of business CEO Peter Miles and senior economic affairs department staffer Simon Mlonyenzi.

The three will oversee the end of fraud and corruption investigations, and appoint a CEO so the staff structure and appointments for the East Cape Development Corporation can be finalised.

At present, staff of the Transkei Development Corporation, Ciskei People's Development Bank, Transkei Small Industries Development Organisation and Ciskei Small Business Corporation are working independently, and will have to apply for posts in the new organisation.

In 1994 the four boards of directors were merged, and in 1996 a transitional board was set up with Campbell Bomela as CEO. That board was replaced in the middle of last year, and members left without signing or verifying the 1996/97 annual report which had glaring irregularities. The next board was given a five-year term, and tasked to oversee the final mergers of the former homeland development agencies into a self-funding organisation.

Last year the merger process, with a February 1998 deadline, was halted by investigations by the special investigating unit of the Heath commis for mismanagement which reached a peak.

Economic affairs spokesman Kulile Radu said these investigations included a R22m Malaysian investment deal which went wrong, unspecified complaints against board members and probes into irregular perks for Bomela, including monthly allowances of more than R13 000. However, Radu said the probes were not into Bomela as an individual, but into the organisation as a whole. — ECN.

Body to monitor black empowerment efforts

Patrick Wadula

BLACK business organisations plan to scrutinise black economic empowerment deals and assist in drafting a programme ensuring the full participation of emerging businesses in SA's economy.

Black Management Forum acting MD Jimmy Manyi said a strategic workshop next month would pave the way for a commission on black economic empowerment.

The commission would work with other black business organisations under umbrella body Black Business Council, he said. Included in the council were the National African Federated Chamber of Commerce (Nafoce), Foundation for African Business and Consumer Services (Fabco) and other black professional bodies.

Manyi said the commission would investigate the role played by both the private and public sectors in implementing black economic empowerment deals and develop a clear definition of black economic empowerment.

"We want the term to mean real empowerment and not just a deal for a black business group that won't succeed in the long term," he said.

A code of ethics and a disciplinary code for black executives aimed at eliminating corruption and mismanagement would also be published this year.

Nafoce recently called for a national stakeholders' conference between government, established business and small enterprises.

Fabco executive director David Mosaphalo said it would focus on assisting blacks to move into the manufacturing sector. Other areas of focus would include tourism, information technology and the construction industry.

TODAY'S WEATHER

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A bleak picture of paradise

Marion Edmunds

The Eastern Cape government is allowing the province's natural assets and tourist attractions to go down the tubes, because of a lack of funds, skills and political will to preserve the environment.

Despite official denials of collapse, the picture of conservation in the Eastern Cape — the only province in the country which has all seven ecosystems in its nature reserves — is bleak. There is only a handful of people left in the department with the skills to guide it out of what is perceived as a crisis by all except the government itself.

Thirty-three experienced nature conservators and scientists have left the conservation department since 1984, taking voluntary severance packages or resigning. Most of them have been replaced, if at all, by graduates straight from technikon or university.

Of 14 posts in the special investigations unit — set up to police poaching — only four are filled. Sources say prosecutions are few, and poaching has reached dangerous levels.

The department is struggling to amalgamate the old conservation departments of the former Ciskei, Transkei and Cape Provincial Administration. Attempts to consolidate the three sets of regulations have ground to a halt.

There is no coherent policy, with the result that environmental concerns are overridden to make way for badly planned developments, often on sensitive parts of the coastline.

The department is saving 37% of its wage bill, but this has been returned to the provincial kitty to bail out the departments of education and welfare. It is expected the department's budget will be extremely small in the coming financial year, and the majority of it will be spent on salaries, to the detriment of the environmental assets the paid officials are meant to be preserving.

There are few nature conservators in the 30 reserves in the province, which cover a total area of 450 000ha. Aquatic conservation has come to a stop, with the province's fish hatcheries now inoperative.

The director of nature conservation, Graeme Taylor, said in response to the allegations: "Over the past few years provincial nature conservation has been undergoing a process of transformation, with the view to placing nature conservation in line with emerging international practices. "While the process has resulted in some delays, these have been necessary to ensure accountability and transparency ... These steps should not be interpreted as an environmental crisis, collapse or disintegration."
Coega decision this year — Erwin

PORT ELIZABETH — Construction will probably start on the Coega industrial development zone in the Eastern Cape before the year is out.

Trade and Industry Minister Alec Erwin said yesterday that if "everything went well" the final decision regarding Coega would be made in August this year with construction starting "two or three months after that".

Erwin said the port would take two years to build and the anchor tenant, the Billeton zinc refinery, would take 32 months to build.

He said that Coega's go-ahead was dependent on many variables — labour, environmental and economic factors all had to point towards the project being economically sustainable in the long term otherwise it would have to be shelved.

Environment Affairs and Tourism Minister Pallo Jordan announced yesterday that he had given the Coega industrial development zone in the Eastern Cape the go-ahead.

Jordan said he approved the project after thoroughly studying environmental impact assessment reports and considering all the objections that had been raised.

"I am of the opinion that the Coega initiative should proceed, provided that all the recommendations made by the department are adhered to."

He stressed the importance of the zone and port's commitment to sound environmental policies in line with international practices saying that it was "stupid" to base a strategy on export growth if trading partners would find SA environmental policies unacceptable.

However, he said: "We now believe that the project is not only feasible but will be viable." — ECN, Sapa.
TV assembly plant moves to E Cape
Wild Coast initiative to get R300-m

By Shadrack Mashalaba and ECN Business

The Wild Coast spatial development initiative investor’s conference starts today at Port St Johns with some of the top names in South Africa’s political and business arenas participating. Water and Forestry Affairs Minister Kader Asmal, Enterprise Minister Stella Sigcau, Agricultural and Land Affairs Minister Derek Hanekom and several provincial MECs will be among the guest speakers.

Business will also be represented and among the participants will be the Development Bank of Southern Africa chief executive Ian Goldin and the Banking Council chief executive Bob Tucker.

Poorest projects

More than R300 million is set to flow into one of the country’s most poorest provinces when the Eastern Cape starts this ambitious development project. The sectors earmarked for development are tourism, forestry and agriculture — all of which are labour intensive and will create much-needed jobs.

Currently, about 390 SDI-related projects are under way in the Eastern Cape and these have the potential to create 61 000 jobs.

The Wild Coast SDI is an initiative of the Ministry of Trade and Industry in collaboration with the Eastern Cape and it is focused around four nodes — Mkambati and Mtenbu, Port St Johns, Coffee Bay and Hole in the Wall, and Dwesa-Cwebe.

Its launch is a follow-up to the investment conference opened by President Nelson Mandela last November in East London where the Fish River SDI was launched.

Wild Coast project manager Vuyi Mahlati said a total of 30 proposals had been received.

Private sector

He said once the projects were up and running, the private sector would be expected to invest up to R150 million in hotels, conference centres and other tourist facilities.

Mahlati said the aim of the Wild Coast projects was to attract tourists to areas such as Dwesa-Cwebe Nature Reserve, the town of Port St Johns and the Mkambati Nature Reserve.

A great potential also exists on this land, where subsistence farming has been taking place.
Wild Coast corridor is revived

Johannesburg — After a false start last year, the Wild Coast corridor in the Eastern Cape was relaunched this week. It had substantial potential projects valued at over R500 million, which could create more than 20,000 jobs, said Vuyo Mahlati, the project manager, yesterday.

The Wild Coast corridor is one of several spatial development initiatives (SDI) driven jointly by the departments of transport and trade and industry throughout the country.

The Maputo development corridor is the most advanced and is expected to generate more than R20 billion annually.

Mahlati said the corridor had to be revisited to sort out a barrage of bottlenecks that stilled progress ever since its conception two years ago.

She said the departments had succeeded in sorting out land claim issues and setting up legal institutions, such as community property associations, to facilitate the participation of communities.

"We have also been able to set up environmental guidelines for the investors and a body that would assess the proposals, which we did not have last year. We are currently working on developing the means to police the environmental framework," Mahlati said.

Several government departments, such as agriculture, public enterprises, environmental affairs and tourism, water affairs and forestry, intervened to drive the corridor to its current breakthrough status.

Prequalification bids have been invited from domestic and international investors for four tourism developmental nodes. The bids will close in June.
PARTNERSHIP WITH STATE

Wild Coast is happy to begin to see state model to train the
moored to train the

1994-1995

BY QMINI WAY

DEVELOPMENT

(47)
Forestry a growth industry in E Cape

Commercial forestry has been identified as one of the three pillars on which the Wild Coast spatial development initiative (SDI) will be based. This was the result of the investment conference which was launched last week aimed at identifying the Wild Coast as one of the SDI's in the Eastern Cape.

At the launch of the Wild Coast SDL, Forest Owners Association chief executive Mike Edwards said the area had been identified as having "vast forestry potential" as early as 1985. Edwards said however that the Eastern Cape, particularly the former Transkei, was also subject to factors which limited the growth of the forestry industry. These were:

- Problems with land tenure;
- Lack of basic infrastructure;
- The long term nature of the investment required;
- The community's "distrust and suspicion" of the motives of the forestry industry;
- Lack of access to capital, technology and expertise; and
- Difficulties associated with identifying "administrative decision makers" and "legitimate community representatives".

Edwards said it was expected by the industry that over the next 25 to 30 years the demand for "round wood" would increase from current levels of 18 million cubic metres a year to 33 million cubic metres a year.

The Eastern Cape, he said, was particularly suitable for forestry as it had a large volume of available water; a suitable climate; a large area of under-utilised land; and a great need for economic development.

About 120 000 hectares of "communally owned land" had been identified as being suitable for forestry.

Edwards said the facilitation of forestry in the Eastern Cape had to be a "transaction" exercise, with government playing a facilitating role, the private sector making the required investments and the community "implementing" the forestry projects.

The role of government was to ensure a suitable economic and legislative environment that would encourage investment.

Their duties therefore included dealing with land tenure issues, building community negotiating capacity, setting out forestry implementation guidelines and matching communities with investors.

He said investors must guarantee a market for the end-products at market related prices. — ECN Business
Massive windfall for Coega zone

Johannesburg — The Coega industrial development zone is expected to expand to accommodate a R5 billion deal for Volkswagen South Africa (VWSA) to supply 68,000 vehicles to the UK.

Kevin Walkerford, the chief executive officer of the Port Elizabeth regional chamber of commerce and industry, said yesterday the deal lent weight to calls for the formal development of an automotive cluster in the Coega zone. This zone had centred around the R2.7 billion Billiton zinc refinery and the development of a deep-water harbour.

"Port Elizabeth feels like the beginning of a gold rush," Walkerford said. "If we harness the opportunities correctly, a whole lot of new money is going to pour into this area."

He said production in the western part of the province could rise between 12 and 13 per cent in real terms with the VW and Coega developments.

Mbuyiselo Ngwenda, the general secretary of the National Union of Metalworkers of South Africa, said the union supported the deal for its potential to create new jobs.

The deal would also be a shot in the arm for the Fish River spatial development initiative, which had been based on automotive investment in Port Elizabeth and the East London industrial zone.

VWSA had been contracted by its parent company in Germany to produce fourth-generation VW Golfs for export to Britain over the next 18 months.

This will double the VWSA plant's current production of 58,000 cars a year to 116,000, making it the biggest car manufacturer in Africa.

VWSA will create 1,000 jobs and spend R150 million on expansion and improvements to its production line to meet the order.
EASTERN CAPE  R50m for initial research work

Portnet boosts Coega project

LYNDA LOXTON  PARLIAMENTARY CORRESPONDENT

Cape Town — Portnet released details at the weekend of its multimillion-rand “sweetener” aimed at attracting a key anchor client to the Coega deepwater harbour project.

The project would simultaneously free up land in Port Elizabeth for the development of a waterfront complex similar to that in Cape Town.

The so-called “Trilogy” project will involve the removal of fuel tank farms and an ore loading facility from Portnet land near Port Elizabeth’s Kings Beach to Coega. It will also involve the development of 50 hectares of land in the Port Elizabeth harbour site into a commercial, residential, recreational and marina waterfront project called Algoa Marina.

But everything depends on whether Billiton and Matsui, its technical partner, finally decide to establish a R37 billion zinc refinery and smelter in the Coega industrial development zone. Delays by the government in announcing what support it could provide for the project had created fears that Billiton and Matsui might not move into Coega.

Stella Sigcau, the public enterprises minister, told parliament on Friday that Billiton was expected to make its decision by the end of June and Matsui by the end of August.

Rob Childs, Portnet’s managing director, released a statement on Friday saying that Portnet was now “technically ready” and able to fund its share of the new development. It could start negotiating the R1.2 billion first phase of the project as soon as a definite anchor tenant had given a firm commitment.

Childs said that by October, Portnet would have committed R50 million to exploratory work, including drilling and site preparation at the mouth of the Coega river and on harbour designs, all of which were at an advanced stage.

“That’s a lot of money to invest in a ‘may happen’ situation. However, we have a bigger picture scenario — the Coega Trilogy. That is the terminal to service the Billiton smelter, the relocation of the tanker berth and ore-loading terminal and the development of the Port Elizabeth harbour land,” he said.

The relocation of the tanker berth and ore terminal would cost at least R300 million — “money Portnet is, in principle, prepared to spend in the interests of not only Coega but of Port Elizabeth”.

A meeting of all interested parties will be held in Port Elizabeth on June 5.
It's boom-time for PE by the billions

Money is pouring into PE by the billions

PORT ELIZABETH is suddenly the boomtown of Africa. Hardly a week goes by without some bonanza announcement for the harbour city and its powerful sibling, Uitenhage.

This week it was Samcor putting R146 million into its Struandale engine plant, in other weeks it has been Coega and Volkswagen lining up to pour billions into the Port Elizabeth-Uitenhage (PEU) metropole.

Running alongside the PEU flagships are a fleet of smaller firms who are starting to rattle, hum and smoke.

At long last the signs of prosperity are starting to be seen again – after almost 15 years of strife and oppression.

In the 1980s Port Elizabeth led the way in the political revolt which brought the National Party to its knees at the negotiating table.

Now, in the 1990s, it is leading an industrial revolution in the corner of the nation's poorest province.

Can this revolution raise up Port Elizabeth's battered township residents who live on the muddy flatterd on the edge of the Swartkops river? Can it create a stable and affluent working-class in those hellish and heroic places?

And what was the secret of the city's success? Was it their never-say-die marketing strategy?

These questions will be answered in the months and years to come.

In a business sense, the city has battled with a negative public image, which began with the consumer boycotts and labour stayaways of the 1980s and the withdrawal of international capital. But in recent years the metropole has quietly but surely been attracting significant capital investments.

In the last two years more than R4-billion in private investment – R1,4 billion of it foreign – has found a home in the city. Investments made included foreign buy-outs of Goodyear Control (R500 million), Bridgeport Firestone (R200 million) and Duracell (R255 million).

US-based General Motors also bought 49 percent of Delta Motor Corporation.

Port Elizabeth Regional Chamber of Commerce and Industry (Percol) CEO Kevin Wakeford says these capital inflows represent productive – not speculative – investments in fixed assets which will be used to "grow businesses".

Wakeford won the city's prestigious Citizen of the Year award last year for his tireless advocacy of what he calls PEU's natural competitive advantages.

He says the boom was kickstarted by "significant growth in export-driven manufacturing" in South Africa. Local businesses are booming, he says, and the
the fighting city

SA National Council for the Blind (SANCB)
2nd Floor Homefinder House
cnr Ruby & Turffontein Str.
Rosettenville
2197
Tel: (011) 683 4266/7/8
Fax: (011) 683 2513

SA National Council for the Blind (SANCB)
P.O. Box 11149
Brooklyn
0011
Tel: (012) 346 1171
Fax: (012) 346 1177

Self Help Association of Paraplegics of Soweto (SHAP)
P.O. Box 39492
Booysens
2016
Tel: (011) 982 5816
Fax: (011) 982 5826

Society to help the Civilian Blind
159 North Rd
Roseacres
2197
Tel: (011) 613 8241
Fax: (011) 613 1180

South African Guidedogs Association for the Blind (SAGA)
126 Wroxham Rd
Bryanston
2021
Tel: (011) 705 3512
Fax: (011) 465 3858
The report will be handed to the provincial government following the provincial government's review of the report.
Focus on developing Butterworth

(Business) 17/1/98

Municipalities and community-based organisations in the Eastern Cape are to hold an economic summit on the greater Butterworth region this week to devise an integrated development strategy for the province.

The meeting is scheduled for Thursday. It will be facilitated by the Eastern Cape Socio-economic Consultative Council, a provincial body acting as a social partnership between business, the provincial government, organised labour and the non-governmental sector.

The council said yesterday there was still no co-ordinated development plan for the province despite several government initiatives.

The recent municipal financial problems were part of a "bigger economic development dilemma" caused by poor urban development policies in the former Transkei homeland.

The council said the urbanisation of Butterworth was due not to natural growth but to the former government's industrial decentralisation programme to attract businesses to homelands to justify its bantustan policy. The problems were exacerbated when the previous government withdrew the concessions it had offered then and many firms relocated.

The council said there would be no manufacturing industries of note left in Butterworth by 2001 if the current rate of decline was sustained.
Portnet to put R1,5bn into deep water port

Robyn Chalmers

PORTNET had agreed to inject up to R1,5bn into the development of the deep water port at Coega, near Port Elizabeth, Transnet executive director Rob Childs said yesterday.

The project awaited the procurement of certain investment incentives from government and a decision on the involvement of Billiton's technical partner, Mitoil, which should be made by September. Billiton recently said Coega was the preferred site for its zinc smelter project.

"We are on track, with Billiton having moved from the drawing board stage to some preliminary physical drilling," he said. Portnet has already spent about R20m on design work and will spend another R20m on the detailed planning phase of the project.

Childs said Portnet wished to broaden Coega's industrial and commercial base by relocating fuel tank farms and ore-loading facilities from the Port Elizabeth harbour to Coega. The costs would be offset by developing the vacated land. Public Enterprises Minister Stella Sigcau indicated earlier that a waterfront along the lines of Cape Town was on the cards.

Childs said Portnet's capital expenditure budget had risen to R1,5bn this year from R800m in 1996/97.
High interest rates worsen job crisis in poorest province

BY QUENTIN WRAY

Eastern Cape businesses prepared to shed hundreds of precious-as-gold jobs this week as high interest rates wreaked havoc in South Africa’s poorest province.

Losing a job in the Eastern Cape is greeted with deep shock by families desperate to keep food on the table.

On Wednesday brick manufacturer Corobrick announced it would be shutting down its two plants for two or three months because of a sharp slump in the building industry.

The brick maker has built up a R20-million mountain of bricks which it wants to whittle down.

Its bricks are used in expensive buildings and are way out of the financial reach of most people who must use low-cost breeze blocks.

Trade union officials said at the weekend that key East London textile plant De Gama would jettison 280 workers on November 6. Unions said they were not contesting the job cuts.

De Gama tried to avoid retrenchments by cutting down to a four-day week, but this was not enough to counter empty order books.

Corobrick company officials said they would preserve as many jobs as possible, but lay-offs were inevitable.

Sources in the industry said Marley Flooring in East London was talking to unions about retrenching more than 100 workers at their East London factory.

The downturn even managed to flush out a previously unknown art collector who was forced to put on sale nine precious paintings by famous Port Elizabeth artist George Pemba.

It was reported that Port Elizabeth panel beater Malcolm Murdoch had to flog the Pemba works – believed to be the best Pemba collection around – because his garage had been forced into liquidation.

He said his trade was reduced to a trickle.

Corobrick, which has R30 million invested in the Eastern Cape, is hoping that the Ngqura (formerly Coega) deep water harbour will soon go ahead, as well as other developments.

Corobrick will try to minimise the effect of the shutdown on its employees by paying out leave and other benefits in advance.

They will also advance workers money to be paid back at reasonable rates.

Corobrick is just one of many companies affected. Eastern Cape Master Builders Association CEO Greg Steele told reporters the local building industry was in the doldrums.

He said during the last year there had been a significant drop in the number of companies and employees in the building sector.

Also to blame for the slowdown in the building sector is the government’s cutting back of expenditure. Typically builders in the province have relied on government contracts “for the bulk of their business”.

However, Corobrick marketing director David Vincent said the prospects for future economic growth were reasonably good with Ngqura, the potential development of the Port Elizabeth Waterfront at the harbour and the possible granting of a casino license to Port Elizabeth.

However, he said these potential developments would attract investors from outside the Eastern Cape. Should this happen, he said, local developers and builders could lose out and profits generated by new developments would then be sent out of the province.

Corobrick has been in the Eastern Cape since 1973 and its investment is spend between Port Elizabeth and Mount Coope near King William’s Town.

But it isn’t all gloom and doom in the province. Business Eastern Cape chairman Kevin Wakfeld said that although things were bleak right now, the Eastern Cape – and especially Port Elizabeth – was setting itself up as the export capital of South Africa.

Volkswagen SA’s new R20 billion export deal had firmly established PE as South Africa’s motor-hub and had lent critical mass to the areas “export platform”.

However, he warned that the province was “psyching” itself into a downward spiral and this trend needed to be reversed. -- ECN Weekend
Fish River development creates 500 jobs in EC

T
THE Fish River spatial development initiative (SDI) has inspired nine new commercial operations which have created 500 new jobs in the job-starved Eastern Cape.

This was said this week by SDI manager Stephen Keet who added that the gains had been made despite many negative economic influences since last year.

He said the new firms had invested R156 million in the province.

He said six of the new concerns were in operation and three were under construction.

Keet said a further 800 jobs would be created by the SDI in the next two years.

Of six operating concerns, three were in agriculture and three were in the clothing and textile sector.

A pineapple farm was operating near Peddie, a farm was in production near Alexandria, and a fynbos flower harvesting operation at Tsitsikamma.

The operating clothing and textile firms were the Hitex factory in Fort Jackson near East London, the Burberry factory near Cradock and a Suntex expansion in Butterworth.

The businesses under construction were an abalone farm at Qolora, a clothing factory in Port Elizabeth, and a hotel development in East London.

Keet said impetus has been added to the SDI when the iBhayi-Algoa and iMonti-Wild Coast regions were identified at last week's Job Summit as "provincial lead projects".

He said one of the SDI programmes, the Port Elizabeth-based regional automotive cluster, would make the area's vital automotive sector better able to compete internationally.

He said this cluster initiative had identified three major areas for intervention.

These were the introduction of strategic investments in infrastructure and raw material manufacturing, human resource development and domestic and international logistics.

Keet said the cluster enabled automotive assemblers and component suppliers, provincial and national government and labour to work together on issues where collaboration would reap benefits for the entire sector.

The cluster process is funded by the business and government in terms of a Sector Partnership Fund run by the Department of Trade and Industry (DTI).

Keet said where more than five companies got together in sector clusters to improve competitiveness, the DTI encouraged them by making funds available.

Businesses first spend the money and then claim it back according to specific objectives.

The funding limit is R1.5 million per sector cluster.

Keet said the automotive cluster fell within the greater Fish River SDI plan.

He said that although attracting new investments was the main focus of the SDI, the revitalisation and globalisation of existing trade sectors were regarded as essential.

He said recent export contracts and significant investments announced by Volkswagen, Delta and Samcor all added to the attractiveness of the region to investors.

Two industrial development zones (IDZs) based on specialised infrastructure had been identified for the region at East London and Coega.

He said government was "working hard" to accommodate Billiton's R2.7 billion zinc refinery at Coega and other "major investments" were expected to flow from counter-trade defence agreements.

Keet said two tourism projects had also reached an advanced stage.

Prospectus documents for the Big Wildlife Great Fish River Reserve and the fly fishing-nature trail Pirie Forest projects would be finalised in November to be handed to investors.

A senior nature conservator at the Great Fish River Complex said the reserve was being marketed as the Big Wildlife Great Fish River Reserve, but the name had not yet changed.

Keet said when the SDI had kicked off a year ago there had been 130 projects identified. Projects are packaged and marketed by the Centre for Investment and Marketing of the Eastern Cape (Cimec).

- ECN Weekend Service
New Sacob boss slams slow progress at Coega

GRAHAMSTOWN — Incoming Sacob Chamber of Business (Sacob) chief Kevin Wakelord has disputed claims that Mitsui — anchor tenant Billiton’s former technology partner — withdrew from the Coega industrial development deal because of global economic conditions.

Wakelord said the withdrawal was rather because of the lack of progress in the project.

Wakelord, the former head of the Port Elizabeth Regional Chamber of Commerce and Industry, urged Eastern Cape businesses to keep provincial projects such as the expansion of the Port Elizabeth Airport and development of the deep water port at Coega on the national agenda. He said he would be satisfied only when he saw “the first bulldozer move on site” at Coega.

He called on the provincial government to make “its assets sweat”. He said the Eastern Cape Development Agency was sitting on assets worth R750m which needed to be unlocked. This could be done by fast-tracking the privatisation process.

At the same time, businesses should end their “antagonistic relationship” with provincial governments and come to terms with the fact that they cannot “escape being part of the provinces”. He said the Port Elizabeth-Uitenhage area could be the automotive capital of the southern hemisphere and the Eastern Cape was perfectly positioned to lead SA’s export drive.

Sacob president Humphrey Khoza said SA’s chamber movement needed to become “more representative of the population at large”. This would happen through deracialisation of ownership and “central and accelerated upward mobility in the workplace through focused education and training”. — ECN.
Eastern Cape shows dramatic turnaround

By 20/1/99 (49C)

EASTERN CAPE

Renée Grawitzky

The Eastern Cape had experienced a "dramatic financial turnaround", Finance MEC Frans Godongwana said yesterday as he presented the 1999/2000 budget.

The province managed to pay off R1,5bn of its total R2,2bn debt using its surplus from fiscal 1998/99. Godongwana said the coming fiscal year will see spending totalling R15,946bn, 3% more than last year.

Spending would be focused on social services, which would account for R13,566bn or 85% of the total budget compared to R13,198bn last year.

Godongwana said this reflected "the particularly deprived nature of the province and the social backlogs that persist".

Personnel expenditure would continue to consume more than half of the budget and amounted to R9,22bn or 58% of total spending, compared to R8bn (58.5%) in 1998/99.

Godongwana said "while we are not deaf to calls for the trimming of the public sector, we believe that at the core of public sector transformation is the enhancement of capacity, expertise and effectiveness".

Reducing the public service should not be seen as an end in itself, he said. Godongwana said sometimes the notion of a lean public service was misleading. There was a need to focus on retraining and redeployment.

A skills and personnel audit is under way in the province. Union sources said the process was relatively disorganised at the moment, but the union would be given assistance to get the process going.

The Eastern Cape received the second-highest allocation from national government, R15,246bn. This amounted to 17.8% of the R86,3bn allocated for provincial governments from the national budget.

The province could receive additional grants totalling R337m. Depending on proper budgetary and financial management controls being in place, the province would receive a supplementary allocation of R44m.

Having made major strides in tackling the provinces financial crisis, Godongwana said he intended improving revenue collection with the aim of raising R344m, nearly R100m more than last year.

Godongwana said improved efficiency and the fight against corruption had led to substantial cost savings. One of the methods involved was the elimination of cheques for benefit payments. From July last year to January the value of unclaimed salary cheques was R4,2m while 2,255 fraud cases were being investigated.

A forensic audit process saved government R214m on debts which were proven either to have been paid or were being double-counted.

Godongwana said the budget managed to put the province in a position to remove inefficiencies in the system. In the past, the province had crisis management budgets but was now in a position to address the backlogs in infrastructure development.
DBSA lends R22.7m to Knysna (49C)

The Development Bank of Southern Africa (DBSA) would today sign a R22.7 million loan agreement with the Knysna transitional local council, the bank said yesterday. The loan would be used to finance upgrading of the town’s electricity, water, refuse management, sewerage and road infrastructure and to provide new facilities. It would also fund upgrades to the council’s information technology system and the Akkerkloof Dam. Allan Kock, the mayor of Knysna, said: “Through improved water and electricity supply and sewerage reticulation, the programme will improve the quality of life of more than 12,000 township and informal settlement inhabitants.” – Richard Stoving Bradford, Johannesburg
State officials predict a new anchor tenant will be secured by mid-year.

6/18/99

Arms deal could save Coga

(4e)

Govan Chambers
Johannesburg, South African
Breweries' plan to build a
R150 million brewery in Port
Elizabeth represents the group's
largest investment in domestic
beer production capacity since
the late 1980s and the first major
capital investment since it moved
its primary listing to London.

Analysts said yesterday that
the decision to go ahead with the
investment, which was first men-
tioned in 1986 at a possible East
London site, was a significant
vote of confidence in the coun-
try's economic growth prospects.

"SAB has access to first-class
economic data. Two years ago
this data persuaded them that it
was not appropriate to undertake
an investment in additional ca-
pacity. The data is now telling
them a different and more
encouraging story," said a leading
analyst.

Work has already begun on
the new brewery, which will have
a capacity of 2.3 million hec-to-
litres, and is expected to be com-
pleted by the end of 2000.

The existing brewery in Port
Elizabeth, which has a capacity of
0.9 million hectolitres, will be
closed when the new brewery
begins production. This means
the net additional capacity from
Port Elizabeth will be 1.4 million
hectolitres.

The investment is additional
to SAB's current annual capital
expenditure on local beer inter-
est of almost R150 million.

About R300 million of this will
be invested to increase capacity at
the Aisrode brewery in Johannes-
burg from 7.6 million hectolitres
to 8.1 million hectolitres.

Ahead of the new investment,
the South African beer division of
SAB has seven breweries with a
total capacity of 29.7 million
hectolitres.

Norman Adami, the manag-
ing director of Beer South Africa,
said yesterday: "We are excited
by the prospect of a new brewery
which now matches the stan-
dards and capability of SAB's
other six breweries in South
Africa and which is as advanced
a brewery as any in the world."

The decision to build the
brewery in Port Elizabeth rather
than East London reflected the in-
creasing demand in the southern
Cape. The new brewery will ser-
vior the Eastern Cape and future
needs of the southern Cape.

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Change of mind over brewery leaves bitter taste

Nicola Jenvey

DURBAN — Port Elizabeth snatched the R750m new brewery project away from East London yesterday, leaving the rival Eastern Cape city with the bitter feeling that SA Breweries (SAB) "led it up the garden path".

SAB said yesterday it would construct a new brewery next to the existing Perseverance depot 18km outside Port Elizabeth to replace the century-old establishment in the city centre. The 230-million-litre capacity plant was "well positioned to serve the Eastern Cape, as well as the anticipated future requirements of the southern Cape".

However, East London city fathers and the local chamber of business were "disappointed" given that last May Rob Childs, former SAB operations director of the beer division's southern region, announced officially that the plant would be built in the city.

Craig Sam, director of development planning in the East London city council, said local business and the city council wanted to see the reasons given by SAB for choosing Port Elizabeth over East London, particularly as the city had met SAB's criteria.

Key to Childs' announcement was the central positioning of East London. The city also has a high water quality, while the council has the ability to fund the necessary infrastructure.

East London deputy mayor Des Haley said SAB's change of heart makes it increasingly difficult for East London to market itself as a potential investment centre. He was also furious that SAB contacted him only on Tuesday night with the news about Port Elizabeth.

SAB spokesman David Williams said SAB had recognised the need for a new Eastern Cape brewery with East London as the prime contender.

However, strong volume growths from the southern Cape placed Port Elizabeth as the more central location.
Cimec generates 3 220 jobs

With an expenditure of slightly over R7 million, the Centre for Investment and Marketing in the Eastern Cape has generated investment to the tune of R176 million and 3 220 jobs for the province.

This was detailed in the Cimec annual report for 1998-99, compiled by chief executive Mcebisi Jonas and presented to the economic affairs, environment affairs and tourism standing committee last week.

The investment translated into one new investment in the province every 39 days; R24.68 invested in the province for every R1 invested in Cimec; one new job created for every R2 218 invested by the Eastern Cape government in investment promotion through Cimec; and one new job for every R54 736 invested by industrialists involved with Cimec.

The report said Cimec had settled 22 companies in the Eastern Cape, while a further 27 projects were under way with a projected investment of R665 million and a projected employment of 8 075 jobs.

Cimec's activities had focused on leather, timber, pharmaceuticals, agro-industry and food products, tourism and textiles, and automotive and metals industries.

The report said the organisation continued to play a critical role in the Spatial Development Initiative (SDI), especially the Wild Coast SDI.

Involvement included packaging and marketing projects in SDI areas, liaison with investors, kick-starting SDI-related industrial cluster processes, developing and maintaining the SDI database and participating in implementing authorities. - ECN.
Port Elizabeth’s investment campaign gets rich results

GRAHAMSTOWN — Port Elizabeth business and civic leaders are getting more bullish about the future.

In the past three months alone plans have been announced for more than R2bn in new investment in the city.

First came the announcement that the Sun International-backed Emfuleni Resorts consortium had been awarded the rights to develop a R530m casino in the city.

Then SA Breweries announced it would build its new R750m brewery in Port Elizabeth rather than East London as originally planned.

And last week a company linked with Swedish power generation conglomerate ABB said it was finalising plans to refurbish a scrapped power station in the city at a cost of R700m. The entire capital investment for the project will flow into SA from Sweden.

The refurbishment will be carried out by Port Elizabeth-based Energy Ventures Group (EVG) which was set up as a special-purpose company with ABB, one of the world’s biggest power generating companies.

EVG spokesman Barry Nel said the company planned to refurbish the Swartkops power station, which was sold for scrap by the municipality a year ago, to provide environmentally friendly electricity to the export-oriented businesses that will be established in the Coega industrial development zone.

He said the company was part of a Swedish investment group interested in investing in Coega.

Port Elizabeth deputy mayor Errol Heynes, who heads the city council’s economic development portfolio, said the city had worked long and hard at attracting investors. While progress had been slow at first, Heynes said, cheap land, low municipal rates and good infrastructure were key to attracting investors.

He said Port Elizabeth also offered investors good quality of life with a low crime rate for a city its size, good weather and attractive entertainment facilities.

Greening

Heynes said the Coega industrial development zone key to the city’s development strategy and welcomed the news that there would be a “green” power supply for the export-oriented industries Coega hoped to attract.

Nel said because Coega would host heavy industry its power needs would be enormous and this would provide the market needed to make the plant economically viable. The clean power source would enhance Port Elizabeth’s chances of attracting more export-oriented investments.

As the new plant will be ISO 14001 accredited — proving it meets the highest international standards — manufacturers cannot be blocked from overseas markets that more and more insist that the entire manufacturing process, including the electricity used, is environmentally friendly.

Nel said SA lagged behind international environmental norms when it came to electricity production. He said SA-produced power, 90% of which was generated by Eskom, had particle emissions of up to 10 times more than what was considered acceptable in Europe and the US.

He said the ABB coal power station in Stockholm, on which the Port Elizabeth station will be modelled, had particle emissions of less than 20 parts per cubic metre, while the average SA power station had emissions of up to 250 parts a cubic metre.

The coal to be used by the Port Elizabeth station will be mined at Indwe in the Eastern Cape. Coal was last mined there in 1917 before the rich coal fields near Witbank were discovered.

While the Indwe coal did not burn as well as that mined in Witbank, Nel said modern combustion technologies rendered it “perfectly usable”.

He said the Eastern Cape coal had only half the level of sulphur of other SA coal. Sulphur is the main pollutant from coal-powered generators.

Port Elizabeth Regional Chamber of Commerce and Industry CEO Alfred da Costa said the new investment would enhance the city’s competitiveness as an export-oriented industrial centre.

Da Costa said it would help “facilitate the culture of meeting world standards”. — EWN.