

Daily Dispatch Suppl.  
Industrial Review  
17 August 1994



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# INDUSTRIAL REVIEW



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**SUPPLEMENT TO THE DAILY DISPATCH**  
**17 AUGUST 1994**

# A vision for the region's development



The MEC for Economic Affairs, Mr Smuts Ngonyama: "Tourism is very important — it must not be seen as an elitist resource."

by ROSS COLVIN

THE STRUCTURE document unveiled recently by the Eastern Cape Ministry of Economic Affairs reflects its goal of sustainable development to improve the quality of life in the region.

The 58-page document, the product of two months' preparation, blueprints the services which the ministry plans to offer in addressing the economic ills of the region.

The document places particular emphasis on the development of the small and medium enterprises (SMEs) sector which the ministry has identified as vital to the region's economic recovery.

The development of the tourist industry, a particular hobby horse of Economic Affairs MEC, Mr Smuts Ngonyama, also comes under the spotlight.

"Tourism is very important. It does not need a lot of capital injection and we already have the natural resources there for grabs. It must not be seen as an elitist resource," Mr Ngonyama told the Daily Dispatch in an interview.

In the document, the ministry identifies the following as its objectives:

- helping to expand domestic, national and international trade;
- helping to strengthen the competitiveness of the province's economic base;
- encouraging investment opportunities in the province;
- promoting a constructive relationship between the provincial government, labour and business and;
- enhancing the human resource capacities and productive skills of people in the province.

The document recommends that the administrative headquarters of the ministry be located in Bisho with four regional offices in Port Elizabeth, East London, Umtata and Queenstown.

Twelve sub-regional offices would then be

established to serve PE-Uitenhage; Humansdorp; Albany, Karoo; Midlands, Queenstown, Aliwal North, Amatola; Butterworth, Umtata; Kokstad and Luskisiki.

Mr Ngonyama said he expected the process of setting up this infrastructure to take up to six months.

The document stresses that if centralised at Bisho, the new government would only be accessible to a small portion of the population of the Eastern Cape.

"The reality is that it would cost millions of rands to centralise the entire public service in Bisho and the fact that such a process would take years to complete," the document states.

It proposes that the ministry comprise eight branches within two divisions — corporate and operational services.

The most important of these are the policy formulation branch, trade promotion branch, and small and medium business promotion branch.

To ensure full public participation in decision-making the document suggests that each branch have an advisory committee comprising representatives of the relevant stakeholders such as business and labour.

The chairmen of each of these forums will sit on an economic advisory committee to assist the minister on economic issues.

The main function of the economic policy formulation branch will be to determine — on a yearly, five yearly and ten yearly basis — the economic priorities of the province.

The branch will also play an important role in developing policies to improve the overall competitiveness of the region while monitoring and evaluating economic development in the province and developing an economic policy framework.

It is proposed that the operational services division of the ministry will offer programmes aimed at promoting growth in the industrial, trade and micro, small and

medium business sectors.

The trade promotion branch, which falls within this division, would:

- design and provide "one stop" access to government programmes, services and management systems to improve client service;

- identify opportunities in key markets and facilitate market entry for businesses through consulting services and appropriate programme support and;

- establish teams of experts and forums with special regional and sectoral knowledge to respond to investment opportunities.

The document proposes that a network of advice centres be established throughout the region in consultation with the private sector and various programmes be administered, to assist the start-up of SMEs.

"They are the key to the economy of the region. They are the

● continued on page 3



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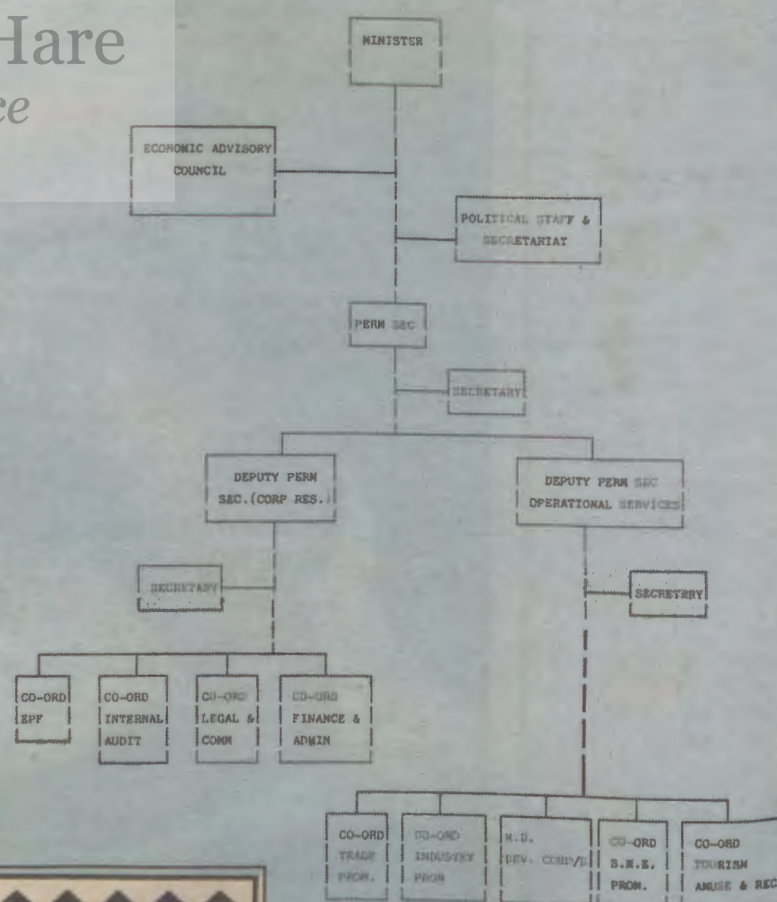
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# Small business is the key

● continued from page 2

route to kickstarting the economy. Our ministry will do everything possible to reinforce SMEs," Mr Ngonyama said.

The ministry also recommends that a regional tourism authority be set up which would:

- produce a co-ordinated tourism strategy in co-operation with all stakeholders;

- represent the interests of the province and the tourism industry at national level;

- encourage development of tourist amenities and facilities which meet the changing needs of the market.

Seven branches responsible for standards promotion, tourist marketing, tourism development, tourist information, nature

conservation and tourism administration would operate under this authority.

"We aim to improve our economic viability and make the province vibrant and prosperous with sustainable development," Mr Ngonyama said.

He stressed that the document had been drawn up as a starting point for discussion with various interest groups including business and labour.

However, he did not expect any drastic changes to be made to the final draft.

A steering committee which included academics from Rhodes, Port Elizabeth and Fort Hare universities, representatives of the Economic Affairs Ministry and Members of Parliament, was responsible for drawing up the document.



"SMEs — small and medium enterprises are the route to kickstarting the economy."

# Parastatals: strength in unity

by ROSS COLVIN

THE MERGER of the region's four development parastatals appears to be on track.

The Eastern Cape Department of Economic Affairs under MEC, Mr Smuts Ngonyama, is still in favour of reorganising the parastatals into a single divisionalised corporation.

This follows recommendations made by a firm of management consultants in an interim report submitted to the Border-Kei Development Forum last month.

The report outlined three possible scenarios for the merger of the Transkei Development Corporation, Ciskei People's Development Bank, Ciskei Small Business Development Corporation and Transkei Small Industry Development Organisation.

The first scenario, which entailed the institutions remaining separate with their own development policies, strategies and operating policies and each competing separately for government funding, was immediately scotched.

The second scenario proposed establishing a "strategic umbrella"

with a fifth corporation holding shares in the respective parastatals and determining overall development policies and strategies.

This was also not considered suitable because of the additional expense and extra layer of board members it would introduce.

However, the third scenario, which proposed creating a divisionalised corporation, found favour with the Ministry of Economic Affairs.

This proposal was contained in a 58-page discussion document, released by the ministry earlier this month, which outlined the services it would offer in addressing the economic ills of the region.

Explaining why the ministry was in favour of the third scenario the document stated: "The government would have a single entity to deal with and there would exist a single strategy and little or no duplication of resources."

It said once the final version of the document had been accepted by the regional cabinet a new Corporations Act would be drafted and promulgated.

In terms of the proposal shares in the corporations, which belonged to the former Transkei and Ciskei governments, would be transferred to the new corporation, to be called the Eastern Cape Development Corporation.

The Eastern Cape regional government would then be the sole shareholder in the new corporation.

The divisions would

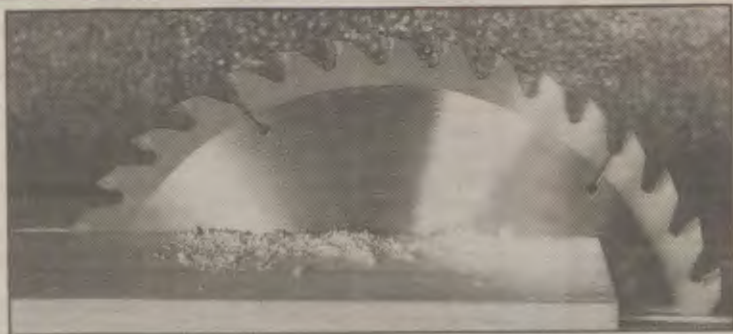
have a fair degree of autonomy for day-to-day management purposes but with firm centralised co-ordination and control. The corporation's head office would be based in Eisho with regional and sub-regional offices.

The ministry document said the new corporation should empower the poor and marginalised and promote small, medium and micro enterprises.

"The corporation will therefore design and provide financial assistance packages, supplementary to the existing financial packages, which play a supportive role for the ventures which are unable to obtain any other assistance," the document stated.

Mr Ngonyama was reported earlier as saying funds for the reconstruction and development programme would be channelled through the new corporation.

"They will have the necessary expertise and experience," he said.



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# Success story



From left: Robin McGregor, MD; Michelle Potgieter, branch manager; Adele Klopper, operations manager; and Ethne Hertog, the administrative controller, all of Kempston Hire in Nahaon.

East London transport tycoon Tony Cotterell is poised to record one of his most successful years to date.

A microcosm of the transport industry as a whole, Cotterell's burgeoning empire is posting favourable signs for a full-scale economic revival in this sector, as TANYA JONKER reports.

EAST London businessman, Mr Tony Cotterell, this year celebrates the 21st anniversary of his first corporate venture, Kempston Truck Hire.

With parent group Kempston Investments flexing its fiscal muscle through expansion and acquisitions, and Laser Transport Holdings continuing the spectacular transformation of its balance sheet, Mr Cotterell will have much to celebrate.

In fact, his revival of

Laser since acquiring a controlling share only 18 months ago remains one of the transport industry's biggest success stories.

"We wanted to diversify within the transport spectrum and had the resources available to do so," Mr Cotterell said.

Cape Town-based Laser is the biggest removal group in the country, with subsidiaries Stuttford van Lines, Pickford Removals, Frasers International, Fraser Machine Moving and Rigging, Rent-a-Rig and Mainline Carriers all leaders in their respective sectors.

In November 1992, shortly after buying a R2m controlling stake in the company, turnover of companies under Mr Cotterell's control was estimated at R200m per year.

By mid-1994, group related business had grown to generate turnover in excess of R500m.

This remarkable turnaround in fortunes has seen Laser's earnings per share rocket from 2,6c to 40,2c, and its share price from 80c per share to its current value of about R4,25, turning a R3m loss to a R4m after tax profit.

Latest interim figures reflecting the first six months of this year show a further 123 per cent improvement over and above last years improvement.

East London-based Kempston Investments, of which Mr Cotterell remains the chairman and sole owner, is recording equally impressive results.

Kempston, which today consists of

Kempston Hire, Kempston Vehicles Leasing and Haul goods, was born in Port Elizabeth in 1973 from a deal Mr Cotterell struck with his then-employers, General Motors, which saw him purchase 11 new trucks from them for R20 800.

Two decades later, Kempston Investments boasts a combined fleet

of more than 1 000 vehicles. "Our hire business is very buoyant and we expect this trend to continue for another year or two at least," the managing director of Kempston Investments, Mr Robin McGregor, said.

"Once our customers have committed to the concept of hire on a semi-permanent basis, it helps them to overcome any uncertainty they may have regarding full maintenance leasing (FML) of vehicles.

"Undoubtedly, a major advantage of FML is that it is an off-balance sheet item. Your costs are fixed, so you can budget accordingly," he said.

He also pointed out there was enough scope for development in this sector when one considered the high percentage of new vehicles sold which are destined for FML contracts.

Despite its success in this field, Kempston Investment was not focusing solely on the road transport industry, and has declared itself "on the acquisition road". Mercedes Benz agents, Ronnies Motors, was acquired last year at a cost of R7m, and is in the process of being transformed into "the Mercedes Benz flagship in South Africa".

It has also been reported the group is looking to expanding its national property portfolio, currently worth more than R100m. Recent acquisitions include agricultural land on the outskirts of East London and commercial and industrial properties in Braelyn, Arcadia and on the West Bank here.

"There is a significant trend for freight to be moved by road instead of rail due to the inherently more flexible nature of road transportation," Mr Cotterell said.

"Therefore, as the economy grows, the road transport industry will grow in tandem, to meet the needs of commerce and industry."

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# Business booming for Lungile

MR MUTEYI is today the proud owner of a furniture manufacturing company specialising in kitchen units and built-in cupboards, trading under the name of Lung's Cupboards and operating from the Transido Complex two

**From heading cattle in a rural Transkei area to heading a booming business concern in the city, that's the success story of Lungile Muteyi.**  
**STAN MZIMBA spoke to him.**

kilometres outside Umtata. the path 41-year-old Mr Muteyi used to be where he is today. Seated comfortably in Determination, guts and more guts, that's

his office, Mr Muteyi, looked back down the years.

He completed his two-year course in woodwork at Teko Vocational Training College near Butterworth in 1986 and then moved to Stutterheim where he worked for a year with a furniture manufacturing company.

"When I finally returned to Transkei I obtained employment at Efata near Umtata where I worked for a year, then in 1988 I took a decision to start my own business," he said.

With no money to his name, Mr Muteyi presented his business idea to a Transkei Development Corporation (TDC) subsidiary, Transido.

Because he did not have security of any kind, bigger financial institutions



**LUNGILE MUTEYI ... from herding cattle to heading up a profitable business concern.**

would not give him capital to start business. Transido bought him the machinery he required to start the company — nearly R7 000 worth.

Mr Muteyi started his now prosperous company with four men. Today he employs 12 men and two women.

His business takes him all over Transkei and

Natal but Mr Muteyi does not see himself as an executive. Even to this day he still lends a hand in his workshop and visits the homes of potential customers.

His wife, Yvonne, a schoolteacher at Efata, also plays a strong role in the company.

After school hours, she

drops in at the factory and helps out in the office, before heading home to prepare dinner for her husband and their three boys.

After the working day is over, Mr Muteyi likes to support his favourite sport from his schooldays, with Kaiser Chiefs and Umtata Bucks, being his choice clubs.



Lungile Muteyi's thriving furniture manufacturing company specialises in kitchen units and built-in cupboards.

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Transtel, the telecommunications business unit of the Transnet Group, has set out to make the user public aware of the enormous strengths and advantages it has to offer in terms of cellular communications.

# Clearing up the cellular telephone question

THE CELLULAR telephone network revolution is upon us, the benefits are far reaching. With the switch on date come and gone however, there remains considerable confusion in the minds of many potential users as to their choice of "service provider."

As a major cellular service provider, Transtel, the telecommunications business unit of the Transnet Group, has set out to make that choice sim-

ple by making the user public aware of the enormous strengths and advantages it has to offer in terms of cellular communications.

Transtel is in fact the largest privately owned telecommunications company in the Southern hemisphere, qualifying it uniquely for the new cellular technology.

Originally formed to provide a competitive advantage for members of the Transnet

Group in the de-regulated transport market, Transtel has built up enormous telecommunications and information technology, skills and resources of global stature.

Its fields of expertise cover:

- \* Telecommunications systems and products, and related contract management and consulting, training and back up.

- \* Switching and transmission networks

inclusive of voice switching, PABX systems, telephones, telephone conference systems and automatic call distribution.

- \* Data communications; the design, implementation and maintenance of computer networks and the provision of data communications links.

- \* Radio communications inclusive of satellite, microwave, optical fibre networks and radio networks per se.

It's clear that Transtel has a wealth of telecommunications experience. Fred Coetzer Divisional Manager Cellular Services puts it this way. "For several decades we have been supplying fixed wire and mobile telecommunications products and systems to big business and backing it up with the technical expertise needed to ensure their efficient operation.

"Moreover, not only is the Transtel service substantial, it's spread nationwide so wherever your business is located, however big it may be and whatever its cellular needs are, we're ideally placed to provide a better service."

He summarises the Transtel advantages as:

- \* Superior technical expertise.

- \* In-depth knowledge as a telecommunications operator and service provider including a diverse and differentiated service.

- \* Countrywide presence in terms of facilities and resources, — a fully operational service and state-of-the-art installation network.

- \* The strategic advantage of radio maintenance depots throughout the country and trained radio personnel who are available at those depots to advise and assist Transtel cellular users.

- \* Blue chip financial back up and resources ensuring a long term presence.

- \* The ability to form strategic alliances with other potential service providers not prepared or able to risk the resources required.

Specifically, Transtel will supply the full spectrum of services generically associated with advanced cellular service provision.

These include the selling of cellular phones and accessories and — "smart cards", after-sales support and technical and repair services, credit checking, billing and account management, debtor and dealer control, SIM card log-on facilities and itemised inventory control of terminals.

Transtel is fully represented in the East London and Border Kei area in the cellular, telecommunications, radio, paging, computer and LAN market.



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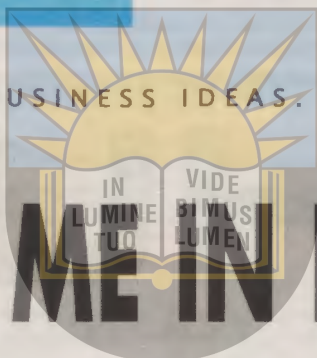
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# Stepping out in faith

By SHONA LAWSON

SUCCESS is all about taking risks, says one of Queenstown's best known businessmen, Mr James Mbonde.

He recently secured the Eastern Cape's first official cellular telephone dealership, the only one in the region given to a black businessman, for service provider Vodac.

In 10 years, Mr Mbonde has gone from struggling to make ends meet to being a director and shareholder in top companies.

The biggest part of success is stepping out in faith, he says, adding that education and experience account for 10 per cent of success, while 30 per cent comes from exposure to the market and networking.

When Mr Mbonde was in Std 8, his grandmother, who had raised him, died. He was forced to start work and complete his matric part-time.

In 1984 he was working full-time for a vehicle finance company when he realised he would not be able to make ends meet.

He started selling plastic kitchen utensils after hours and eventually resigned to sell full-time.

His next step was securing an agency for a furnishing business in eZibeleni, after which he landed the contract to supply chairs to the then new University of Transkei.

Mr Mbonde ploughed his profits into new ventures and currently owns two fast food outlets, property he lets to various tenants, a telephone bureau, a filling station and shares in Premier Milling and in New South Africa Management, a development company. In the pipeline is a chain of bakeries set up in conjunction with the American Wheat Board.

All this and Mr Mbonde, who has no tertiary qualifications, is not yet 52.

"People normally aim at getting employment, we must change that attitude to becoming self-employed," he says, likening the future of the country to the government's Reconstruction and Development Programme.

"Reconstruction is different to liberation. Liberation is shouting slogans, reconstruction is hard work, and devotion."

Hard work, a positive attitude, self-confidence, and loads of patience were crucial for success, he believes.

"I also believe in

God, if you are really determined and try, God will be on your side."

He encourages young people to aim at self-employment, not only in careers such as nursing and teaching, but ones like electronics and engineering.

His message to fellow businessmen is to

remain patient, and to put something back into the community.

Mr Mbonde has started a primary school on a smallholding he owns outside Queenstown, and offers bursaries to teaching students.

"It is never easy to be in business, it takes a lot of pain. Success does not come easily, it needs endurance," he says.



Queenstown businessman, Mr James Mbonde: "Success is all about taking risks."

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# Region of hope

by DAVE MARRS  
Business Editor

DES NISH has a dream. In it, he sees a booming regional industrial sector, a "mini-PWV" stretching from East London to Bisho and linking Dimbaza, King William's Town, Berlin, Fort Jackson and Wilsonia.

Far from waking up to cold coffee, the East London-based vice-president of the Institute of Estate Agents boldly takes his fantasy a step further.

All those new factories will create jobs, he says. Employees will need houses, and homes require residential land.

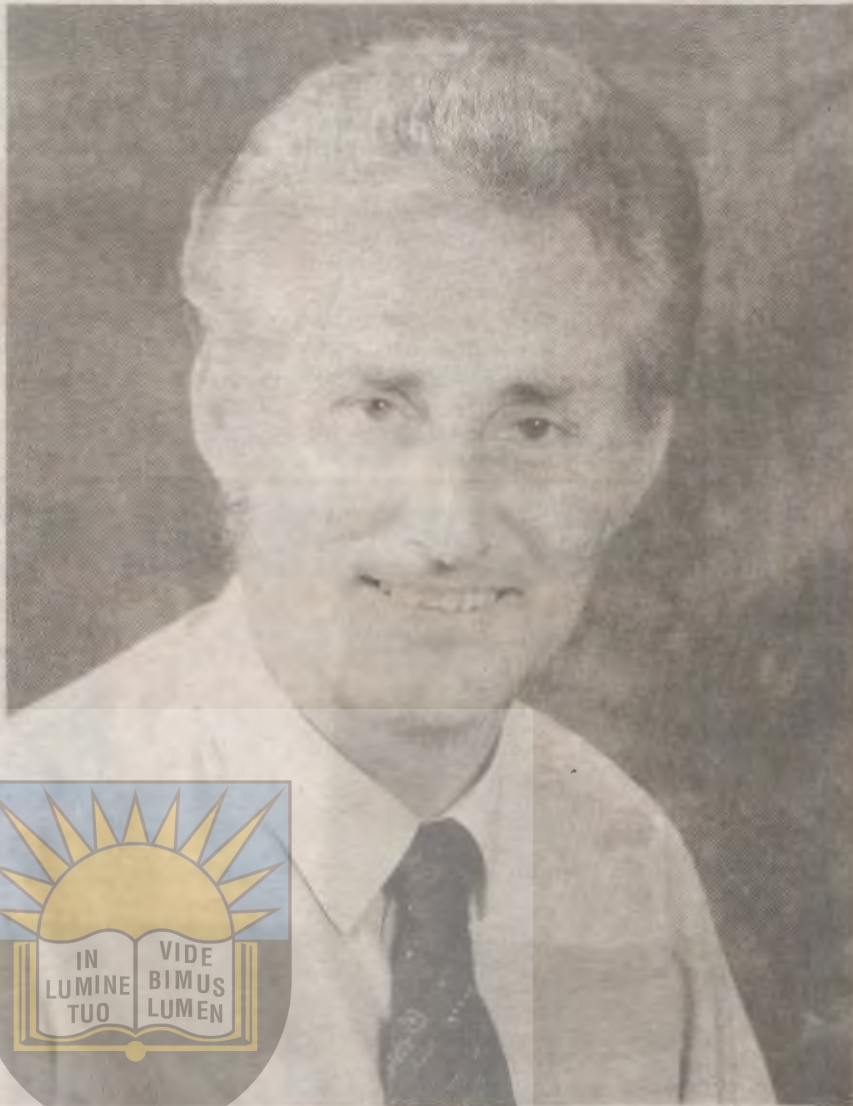
Many senior employees will prefer to live at the coast and commute, while smaller centres like Queenstown, Cathcart and Stutterheim will benefit from the spin-off of industrial expansion in the bigger centres and grow in turn.

It all adds up to a property boom in a revitalised regional economy, with thousands of jobs created, houses built and infrastructure erected.

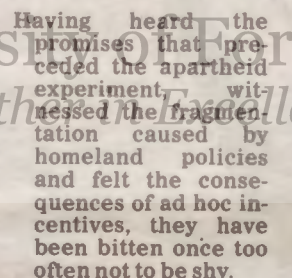
If this all sounds far-fetched, considering the history of the region, pause for a moment.

Isn't the government of national unity's Reconstruction and Development Programme (RDP) about changing the tide of history, about dreaming a little, then putting the past behind us and knocking down to reverse the slide?

Industrialists who have been around for a while are sceptical.



DES NISH... "I have never been as optimistic as I am right now."



Having heard the promises that preceded the apartheid experiment, witnessed the fragmentation caused by homeland policies and felt the consequences of ad hoc incentives, they have been bitten once too often not to be shy.

"We'll believe it when we see it," they say.

But adopting a passive "wait-and-see" approach is as good as condemning the RDP and the region to failure.

The obstacles to growth must be confronted head on, whether they be political or economic, psychological or physical.

Mr Nish, for one, knows that industrial development is impossible without suitable serviced land.

But he is confident that the region's property resources are more than adequate. That is why he allows himself to dream such ambitious dreams.

"I have never been as optimistic as I am right now. I wouldn't like to be in any other part of the country when I see the potential for development in this area.

"This region offers extremely well-priced industrial land; some of the cheapest in the country today. Areas such as Berlin are fully serviced, including rail facilities, and the infrastructure is good.

There is a harbour with excess capacity and a vast pool of labour right on our doorstep."

And land close to the industrial areas is both suitable for residential development and remarkably cheap. Mr Nish provides the example of 8 000 m<sup>2</sup> near Berlin that is on the market for R10 000.

The residential land issue is one that investors would do well to take into account in future.

The spirit of the RDP demands that industrial development goes hand-in-hand with housing and recreational facilities for workers.

Mr Nish does not expect his dream to become reality overnight, nor indeed any time soon. There is still slack to be taken up in established industrial areas.

But the amount of manufacturing space available for rent or

the next 12 to 24 months," he says.

Properties close to the harbour are in demand, and he predicts that new factory space will be built soon on the little land that is still vacant.

The demand for rented manufacturing space is also picking up. Rentals in Arcadia start at R6/m<sup>2</sup> at present and demand is good, although parking is a problem.

Demand is also good in the North End, while vacant land for development is selling well.

The West Bank remains static, apart from the parts closest to the CBD, while Wilsonia still has "plenty of space" available for between R3 and R6/m<sup>2</sup>.

Just as encouraging as the improved demand for industrial property is the number of inquiries members of the Institute of Estate Agents have been receiving from outside the region and abroad.

The main interest has been from Germany and the Far East, although potential property investors are still concerned by the amount of crime in the country.

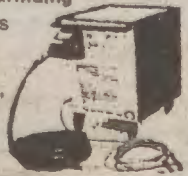
Interestingly, Mr Nish says he has fielded few questions about political violence, although foreigners are well aware of the recent escalation in labour disputes.

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# Nombulelo Mlonyeni: a woman with a vision

More and more women are entering the business world and making a great success of it. Transkei businesswoman, Nombulelo Mlonyeni, told delegates at a Nafcoc conference how she developed a family company till it spread throughout the region.



The family business: Sitembele, Nombulelo and Bongani Mlonyeni. Picture courtesy of Enterprise 200

"FOR THOSE of you who think that it is difficult for a woman to manage a business, I would like you to consider my career. I started, with no experience in what was a difficult venture.

"Getting the business going has not been easy, but we were never alone and if there's anything I have learnt about business, it is that no one can ever make it alone, for every helping hand along the way indeed helps.

"In 1969, I pursued a career in nursing, and qualified in general nursing, midwifery and paediatrics. In 1977, I joined my husband working in hotel management under the employment of the Transkei Development Corporation (TDC) who at the time offered elementary courses in the same field.

"We had an interest in embarking on our own business venture and in 1980, we started a trading station. It was then that I underwent further training in small business management with the Transkei Development Corporation.

"In 1983, three years later, my father-in-law, who was running several business agencies, took ill and my husband had to divide his time between our business and his father's agencies. It was then that my father-in-law persuaded us to take over the Tombstone Agency. At this stage, we had also identified the need to provide this type of service to the Transkeian Community.

"In January 1984, we started trading as Transkei Tombstones Agency supplied by a leading tombstone manufacturer in the Eastern Cape.

"On seeing the need for a better knowledge of the product, my husband went for six months training in this

field with our supplier, acquiring skills in cutting, polishing and inscribing memorials.

"I managed sales, advertising and orders in a one roomed walk-in office in Butterworth, where we had an old office desk, an old couch and two office chairs as our furniture.

"In the form of display, we added 45 photographs to the 12 that my father-in-law had used for years.

"For executing our orders, we used the telephone. This would sometimes take us about five to ten minutes for each order that had a tombstone inscription in Xhosa as our supplier had staff who had no knowledge of the language. I can assure you the introduction of fax machines greatly reduced this problem.

My husband concentrated on erecting the tombstones and a general aftercare service.

"As our market gradually increased in volume so did the radius of our operations. This called for a replacement of our bakkie by a 4x4 to facilitate access to the remote areas of Transkei. After this, we added a three ton truck thereby increasing our workforce.

"But this did not help because the demand for tombstones continued to outstrip supply. We realised that the agency would not cope unless the product was manufactured locally.

"We conducted a feasibility study on this venture, after which we approached the TDC for premises and initial capital. As this was an unusual venture and the first of its kind in Transkei, we had to supply the TDC with our own specifications regarding operations in this manufacturing concern. It was then that Kdyasa Memorials Proprietary Limited was born.

"Our production started in April 1990 after which we opened an additional outlet in Umtata. We then changed the name from Transkei Tombstones Agency to Transkei Tombstones and six months later we opened at Mt Frere, a year later at Engcobo.

"This meant training sales consultants for the four sales outlets. Incidentally, all our sales consultants are women, who I find to be quite efficient and competent.

"Towards the end of the first year of production we acquired a five-ton truck on which we could load up to four memorials and this proved to be cost effective.

"Because of our sales system of making out written quotations for our prospective clients, and the increase in the volume of trade we were able to predict a need for bigger premises to accommodate more machines for faster productions.

"Therefore, in 1991

ises from which we are now operating. Moving to bigger premises meant an additional eight-ton truck.

"Besides manufacturing tombstones, we also make steel grave fences, granite vases and corner stones. Presently, all four outlets have three photo albums holding more than 300 different designs of memorials to suit all income groups.

"As I said in the beginning, in every business venture, one finds that one owes a debt of gratitude to many people who lend a helping hand along the way.

To all women in business I have this to say:

- Approach qualified and experienced consultants to help you with: cash flow management, bookkeeping and marketing systems, production and quality control.
- Know your strengths and weaknesses.
- Accept responsibilities.
- Train your staff for better production.
- Turn failures into success and threats into challenges.
- Delegate duties with corresponding authority and give praise where it is due.
- Above all, never forget where you came from.
- Lastly, thank God for everything and take everything to God in prayer."

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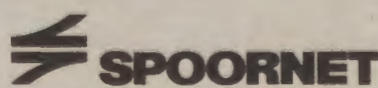
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# Limited space hampers growth of shops in centre

By LUCAS MATI

LIMITED space is preventing the owners of Umtata's Circus Triangle Shopping Centre, Murray and Roberts, from expanding businesses in the complex.

The centre manager, Mr Leeds Matya, attributed the need for expansion to the present boom in business at the complex, which serves Umtata and the surrounding areas.

He said the increase in the number of consumers flocking to the centre had resulted in a number of shop tenants talking about expanding their businesses "but the problem was the unavailability of space".

He said Shoprite was not coping with its number of customers, but the centre was struggling to meet its demand for more space.

The manager of Shoprite, Mr Sydney Mashiya, said the business was doing well, but he declined to comment further.

Mr Matya said of the 58 shops housed in the complex, Shoprite was the anchor tenant, responsible for a large chunk of the estimated 1 000 jobs created when the complex was built.

With the growth in business and expansion of the centre, more jobs would be created.

Mr Matya said since completion of the complex, there had been noticeable business development around it and there had been a ripple effect on industry in the region.

"Within the next few months you will notice an increased number of suppliers of goods and services establishing their businesses closer to the centre development," he said.

Asked about public complaints that most shops in the centre were overcharging, Mr Matya said they were adhering to nationally standardised prices.

Taking the argument further, he said some local businesses had been forced to lower their prices in line with those of Circus Triangle Shopping Centre tenants.

Mr Matya said there was a greater demand for services and goods as a result of the opening of the complex.

The former Transkei national director of tourism, Mr Clive Berlyn, said earlier this year the complex would have a major positive impact on tourism in the area.



MR MARSHALL SWANA

# TDC plans to help RDP

by STAN MZIMBA

AT its first strategic workshop since the elections, the Transkei Development Corporation (TDC) management took a look at its relationship with the greater Eastern Cape region and particularly at how the TDC's development programmes will fit in with the Reconstruction and Development Programme.

TDC's managing director, Mr Marshall Swana, said consensus at the recent workshop was that the corporation's programmes fit hand-in-glove with those of the Reconstruction and Development Programme (RDP).

Mr Swana said the core of the RDP was concerned with meeting basic needs, developing human resources and building the economy.

He said TDC was well placed to contribute in these areas, particularly with support for

Small, Medium and Micro-Scale Enterprises (SMME) development in this region.

Mr Swana said the RDP emphasised the importance of community-based housing delivery and capacity-building.

TDC was already supporting two community based housing initiatives, namely Zizamele Utility Company in Butterworth and Iitha Housing Initiative in Umtata, Mr Swana said. "This experience provides an excellent basis for further activity in the future," he added.

He said the RDP recognised the importance of business-related training.

"The TDC, through the Transkei Training Trust (TTT), provides such training although at this stage it is on a fairly modest scale."

Mr Swana said the TDC was raring to go in terms of rendering assistance with the RDP.

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# Egg, poultry industry hit by shortages, disease



A labourer sprays insecticide under the cages in a poultry battery. The industry has been plagued by shortages and disease this year.

by GRAESON HAW

EGG shortages and more virulent strains of the dreaded Newcastle virus have plagued egg and poultry producers this year, showing the truly unpredictable nature of this industry.

Due to these problems, many of the larger concerns, such as Nulaid and Rainbow Chickens, were reluctant to comment on the present state of their businesses.

Rainbow, which owns the Bonny Bird farms in the former Ciskei, said they did not consider this a favourable time for an assessment of their operations in the Eastern Cape.

The marketing director of Rainbow in Durban, Mr Steve Pattinson, said: "From a marketing point of view I don't want to have an industrial profile on the East London operation."

He added: "The company is going through a number of difficulties as far as mortalities and disease are concerned."

But Rainbow Chickens' farms production manager, Dr Ashley Etherington, admitted that the Newcastle virus had affected the industry all over the country.

"Newcastle has been a problem to the poultry industry as a whole for about a year," he said, adding that the Transvaal and Natal had been affected most.

As far as Rainbow's operation in the Eastern Cape was concerned, Dr Etherington confirmed that they had experienced mortalities at two of their Bonny Bird farms in Ciskei.

A state veterinarian for the former Ciskei, Dr Tom Strydom, has said that he had received reports of a 60 per cent mortality rate at these two farms.

Rainbow Chickens is also reported to have warned its shareholders of lower than expected earnings for the first half of this financial year because of the high rate of mortalities.

The warning came just as the Rainbow Group had started to make a significant turnaround from the R76,7 million loss incurred during the 1993 financial year.

During the last financial year, the group achieved a profit of R17,4 million and 4,7 cents per share, compared to the 20,8 cents loss per share in 1993.

Rainbow Chickens' Group managing director, Mr Rick Griffiths, however, was still confident that the disease

would not have a very negative effect on overall earnings for the year.

"We remain confident that the earnings for the full year will exceed those of the prior year. The half-year results will be below the expectations and we cannot be more specific than that."

Mr Griffiths claimed that cost reductions and productivity improvement effected in the prior financial year had helped to cushion the impact of mortality.

## SHORTAGES

Nulaid, the largest egg producer in the region, declined to go into detail about its decision to close down production facilities at Cove Rock.

The company's managing director, Mr Rudolf Koen, said they had decided to stop production and turn its batteries into a depot as it would have cost at least R36 a hen to renovate the ageing batteries, which could house 160 000 chickens.

Mr Koen denied that the decision to stop production at Lemoenkloof had in any way caused the egg shortage experienced at the end of June and beginning of July.

The shortage resulted in eggs having to be transported from Port Elizabeth and Johannesburg in an attempt to meet consumer demand.

"The closure of Lemoenkloof had nothing to do with the shortage of eggs in the East London area. It was a national shortage," Mr Koen said.

The director of the Border Chamber of Business, Mr Errol Spring, said it was disappointing that Nulaid had decided to stop its operations at Cove Rock.

"It's very sad when any industry decides to pull out and it's something we should look into the motivations for. "If they were making money and doing well here, I'm sure that's the last thing they would have done. There's obviously a reason for them pulling out and one can only assume it's an economic one."

He said, however, that it was important that the gap left by Nulaid be filled by other producers.

The owner of Killarney poultry farm, Mr Glynn Robinson, claimed the egg industry had been placed under a lot of pressure by the recent shortage.

He attributed the shortage mainly to disease, although he added that he felt Nulaid's decision to stop production here had also aggravated the problem.

Mr Robinson speculated that Nulaid had relocated to Port Elizabeth in an attempt to achieve more centralised control over the business. It was also possible the company was trying to achieve greater mechanisation.

Killarney, which is a medium-sized egg producer in the Border, utilises small egg producing operations as a means of supply.

Mr Robinson said this had proved productive as it was labour intensive and cut the cost of having to set up new production facilities.

With "Newcastle virus" being the term on most poultry and egg producers' lips, Mr Robinson stressed it was imperative that proper preventative measures be taken to avoid one's business falling victim to the disease.

"You can't cut corners with disease. You've got to make sure your birds are well vaccinated."

## OPTIMISM

Although he was concerned about the possibility of feed and packaging price increases, Mr Robinson was optimistic that most egg producers would see an above average return on investment.

"Guys are making money again and looking to expand," he said, adding that this more favourable environment could encourage a re-appearance of small egg producers in the market.

Mr Spring believed this would present an interesting scenario for the industry.

"You've got a case of business playing itself out here," he said. "It starts with your small operator not being able to compete in the marketplace and slowly losing his position."

"Then it moves into a monopolistic situation where competition is no longer a factor, or a stabilising factor, and that leads to an opportunity for the small operators to re-emerge and participate once again in the marketplace."

High Heaven Chicken Farm, which is one of Rainbow Chickens' sub-contractors, also gave a relatively optimistic view of its future.

The owner of High Heaven, Mr Trevor Weyer, said he started in 1972, processing about 200 chickens every seven weeks. By 1977 the business had grown to the extent that he was able to process 4 000 a week.

Mr Weyer's business was dealt a blow in 1985-1986, however, when boycotts forced him to close down his processing plant and become a contract grower for Bonny Bird farms.

He said that since he had joined Rainbow, his business had grown substantially.

"We are now contracting to Rainbow between 168 000 to 198 000 chickens every 52 days."

"We're making headway," Mr Weyer said, adding: "You've got to see-saw with the economic situation in the country. You've got to weather the storm."



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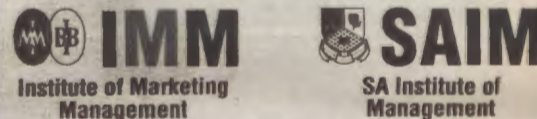
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# New market option for T'kei company

by HEATHER KOPP

THE proposed introduction of unleaded fuel to South Africa by the end of next year will open a new local market for the Butterworth based Autocat (Pty) Ltd which manufactures catalytic converters used to detoxify harmful exhaust fumes.

Since it was founded in 1990 as a sister company to the exhaust manufacturers, K. Braun Engineering, Autocat has been manufacturing 5 500 units

per month for export to Germany.

The converters are compulsory in some European countries to decrease air pollution, but are not legally enforced in South Africa because they are only effective with the use of unleaded fuel — as yet unavailable in the country.

The Department of Mineral and Energy Affairs said in January last year that unleaded fuel would be available at all South Africa's

service stations at the end of 1995.

The sales and projects manager of Autocat, Mr Manfred Matare-Nimtz, said the availability of unleaded fuel could result in the government legislating that all new cars be fitted with the catalytic converters.

It could also result in the fuel industry "playing" with fuel prices to encourage people to use the unleaded fuel, he said. The Autocat factory is based in one large building with a floor space of 9 200 square metres and together with K. Braun Engineering about 220 people are employed.

Its customers are Mercedes Benz South Africa, BMW of South Africa — who export overseas — Honda Motor Cars-Thailand, Motorware (Fiat), and Precision Exhaust systems (Opel).

A catalytic converter replaces the front silencer on an exhaust. It acts as a silencer and also converts harmful engine gases which pass over a precious metal coating of platinum and rhodium into between 80 to 95 per cent non harmful gases.

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Should a specified material not be available locally, then it would be obtained internationally and imported, the Mr Matare-Nimtz, said.

Every endeavour was also made to encourage local suppliers to produce the materials that were specified, or to encourage overseas manufacturers to set up operations in South Africa to produce the materials locally.

The parts are produced in house at Autocat or at K. Braun Engineering. After K. Braun Engineering

founded Autocat as its sister company in 1990, Autocat landed a contract to supply catalytic converters to Fiat in Italy in 1991.

Mr Mantaré-Nimtz said that with the manufacture and export of catalytic converters and the motor industries' drive for export of motor car components it later became clear that closer connections to the European component manufacturers was necessary.

This was in order to keep ahead with the new manufacturing

technologies and to increase support for products to be exported, he said. In July 1991, one of the leading exhaust manufacturing companies, Eberspacher, took over 100 per cent of the shares in Braun Engineering and Autocat.

Two years later, an agreement was reached between Eberspacher and another German exhaust manufacturer — Leitzstritz — which took up 25 per cent of the total issued shares.

Mr Matare-Nimtz said that with this it was hoped to increase the

export potential of Autocat and Braun in that they would be able to offer an export supply network to the local motor industry via strong and recognized companies in Europe.

Autocat and K. Braun Engineering are currently upgrading production facilities and methods of production in order to offer the local motor industry, products that are equal in quality and standards set by their overseas shareholders.

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# Opening doors to pioneers

"WE NEED a strong affirmative action from the government to open doors for black people," Mrs Mzamo said.

Country Touch was established as a quality-led clothing manufacturer in 1985 and has struggled to establish itself because of alleged discrimination from development agencies.

## New era

In this new era, Mrs Mzamo said she hoped the government would award contracts to local industries so that they could create more fixed jobs for the people of the region.

In the past, the Ciskei authorities had a policy to support local industrialists but their plan did not make any impact.

"The provincial government must give us five year contracts to provide jobs if it wants regional economic growth" Mrs Mzamo said.

The factory specialises in hospital linen, T-shirts, rugby shorts and baby vests.

It also produces kits for the South African Football Association and supplies the Johannesburg market with fashion designs.

## Historic

Mrs Mzamo made history by becoming the first black woman member of the East London Business and Professional Women's Club.

Her business employs 50 people, mainly women.

Mrs Mzamo grew up in Qaga Village near Debe Nek.

She learned to sew while training to become teacher at Lovedale College.

Mrs Mzamo left teaching in the early 1980s and joined the former Ciskei Department of Rural Development and worked on craft projects, where her sewing skills were perfected.

She was transferred as an adviser to the Ciskei Small Business Co-operation, where she shared her entrepreneurial ideas with other aspiring business people.

## Going it alone

She also worked at the Department of Manpower and was in charge of the industrial sewing centre.

It was at the centre that she decided she should try to go it alone.

**Country Touch in Fort Jackson stands as a monument to black success and achievement. Mrs Yolisa Mzamo and her husband, Mwelase, are pioneers in the industrial field in the former Ciskei area.**

**The main goal of this ambitious couple is to convince people that blacks need not only be workers in the industry but owners too. MKHULULI BOLO reports.**

Mrs Mzamo and her husband have both worked in a single day as machinists, typists, administrators, bookkeepers

and production managers in the factory.

From 1986 to 1992 the business was booming but things changed in 1993

when the recession began to bite.

Mrs Mzamo said it was at this stage that the company definitely needed to have skilled and experi-

enced hands at the helm.

## Highlight

The highest moment, Mrs Mzamo reflected, was in 1990 when the company employed 105 people and had an annual turnover of R4,8 million.

"Now we are in recession but have high hopes for the future. We are initiating joint ventures with overseas investors," Mr Mzamo said.



**YOLISA MZAMO ... made history by becoming the first black woman member of the East London Business and Professional Women's Club.**

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# Business and the alliance: striving for good relations

BY MKHULULI BOLO

THE relationship between the tripartite alliance and the local business community should be encouraged to develop and be defended if

the Border-Kei region wishes to sustain stability underpinned by economic growth and development.

the African National Congress, the Congress of South African Trade Unions (Cosatu) and the Border Chamber of Business (BCOB) camps spoke with optimism

when asked about the relationship between the ANC-led alliance and the local business community.

retraining for upward mobility in workplace. All this is linked to productivity and for the country's workforce to compete at international level."

The director of the Border Chamber of Business, Mr Errol Spring, said the success of the constructive relationship between labour and business was fostered by a commitment to uplift the standard of the region, which has been economically disadvantaged in the past.

"We believe it is the relationship business wants to have with all political parties including the ANC and its allies," Mr Spring said.

In fact, business had good relations with the ANC in the past and would maintain them to safeguard the interests of the region and province.

However, the current situation demanded that business, labour and government cooperate to achieve economic growth and development.

"We have to maintain a constructive relationship between ourselves.

"If there is a problem we can sit down as legitimate players in the region to resolve problems in the best interests of everybody.

He identified areas of common interests as job creation, stability, economic growth and development. Furthermore, the alliance and business had to create a climate of peace and stability with an economic policy that could attract investors into the region.

The Border-Kei Cosatu regional secretary, Mr Humprey Maxegwana, agreed that stability and development has to be achieved but equally believed that the interests of workers should also be a top priority for the new period.

"We will strive for wage increases, better working conditions, affirmative action, training and

There was an ongoing consultation between the alliance and business. Cosatu would further strive for the parties to make the reconstruction and development programme a success.

He said Cosatu's long term goal revolved around hopes and strategies in achieving a society where the country's wealth would be shared equally by all its people.

The ANC's regional general secretary, Mr Sindisile Maxclean, (leader of the House of Assembly in the Eastern Cape), said the relationship between the alliance and the business community was cordial.

In the past, both structures supported democracy but differed in approach.

The ANC used to embark on boycotts, marches and strikes and the business community would criticise such actions as impacting negatively on business.

He said tensions were minimised by the establishment of a working group composed of delegates from the tripartite alliance and the business sector.

"It is my belief that the culture of debate and discussion between the alliance and business would continue in future. When we differ, we will differ. Where we agree, we will agree. At any rate that forms a basis for democracy," Mr Maclean said.

If the relationship between the tripartite alliance and business community could be maintained to improve the province, it could proudly enter the 21st century occupying the high ground in terms of growth and development.

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**ERROL SPRING** ... "The current situation demands that business, labour and government co-operate to achieve economic growth and development."

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# The cellular revolution

VODACOM and MTN are the two concerns granted licences to operate a cellular phone network by the South African Postmaster General, and both claim to have reached the 50 000 subscriber mark.

The area manager for Transtel, a service provider exclusive to MTN's network, Mr Sandy Jackson, said the most important issue when choosing a network was looking at the area the network covered.

In choosing a service provider, he said, the company's background and experience in the communications business was an indication of the quality of service a subscriber could expect.

"It's not about price, it's really about quality of service," he said.

The actual cellular phone would cost between R2 000 and R3 800, and the service provider should teach the purchaser how to use the phone to the best advantage, he said.

Since the cellular networks were switched on at midnight on March 31, response has exceeded expectations.

"Sales are increasing and the take-up is higher than expected," MTN's marketing manager for products and services, Mr Geoff Houston, said.

"Generally, the roll-out has taken place at least a year quicker than originally planned," Vodacom's chief executive, Mr Alan Knott-Craig, said.

"The network has been rolled out in all the major metropolitan areas, as well as in a large number of towns outside these areas," he said.

However, the Eastern Cape has lagged behind in this high tech development, simply because of general underdevelopment in this, the second poorest region of South Africa.

Financially, it is understandable that larger centres like Johannesburg, Cape Town and Durban were covered by the networks first.

At present in the Eastern Cape province both networks cover Port Elizabeth and three surrounding towns, Uitenhage, Despatch and Kwazakhele, and Mdantsane and East London.

King William's Town, Bisho, Zwelitsha and Grahamstown, are currently covered by MTN, and Vodacom covers Peddie, Colchester and Humansdorp.

By the end of the month, Vodacom plans to have added Middleburg and Grahamstown to its area of coverage, and Graaff-Reinet, King William's Town, Knysna and Queenstown were scheduled for inclusion during the remainder of 1994.

Next on MTN's list this year are Colchester, Humansdorp, Peddie, Middleburg, Graaff-Reinet and Cra-dock.

"Coverage plans change on an ongoing

Cellular telephones promise a revolution in communications, because they are portable and because calls are directed to an individual not a place. Any person looking to purchase a cellular telephone has to decide two things — first, which network they will subscribe to and second, through which service provider.

**SHONA LAWSON** takes a look at the cellular telephone industry.



Cellular phones . . . opening up the lines of communication.

basis as priorities change on customer demand," MTN's Group Executive for Operations, Mr Karel Pienaar, said.

In 1995, MTN plans to cover the roads from East London to Hermanus, Graaf-Reinet to Middleburg and George to Oudsoorn.

Vodacom plans to erect radio masts in Umtata during the first half of next year.

Until the beginning of this month, the networks had participated in a "roaming" agreement, by which calls were automatically directed to the network with the strongest signal in the region.

This has come to an end and a cellular phone can only be used within the radius of a radio mast belonging to the network to which the user subscribes.

It is possible for an MTN subscriber in King William's Town to call a Vodacom subscriber in Humansdorp, but with the present coverage in the region, an MTN subscriber travelling Humansdorp will not be able to use his cellular phone there.

Development has been touted as a major advantage of the cellular phone industry in South Africa.

On a simple level, cellular phones will bring telephonic communication to communities previously neglected by Telkom.

Written into the licence agreement granted to the networks was the provision of phones to disadvantaged communities.

Vodacom promised R100 million to community service to introduce 22 000 subsidised community phones in areas lacking in telecommunications infrastructure over the next five years. MTN agreed

to provide 7 500 community phones.

The installation of these phones, the bulk of which are to be installed in mobile self-contained units, each with 10 custom-made cellular phones, has already started.

Targeting places where there is less than one phone per 100 people, Vodacom's large scale "call-boxes" will work on a cash per call basis.

Another benefit of the cellular phone industry in South Africa was the incorporation of previously excluded members of the business sector — the "non-whites", and much was made of the government's stipulation that non-European ethnic groups be included amongst those who would drive the overall industry.

The only black in the Eastern Cape to be officially appointed as a dealer for one of Vodacom's service providers, Vodac, was Mr James Mbonde.

He heads Mbonde Cellular, which provides the phone handsets and installs base sets into vehicles, offices and other premises at branches nationally, while Vodac itself handles individual Vodacom subscriber accounts and other administrative work.

"As far as sales are concerned, they have not been to expectations," Mr Mbonde said of this region.

He said some people were holding back and watching to see how the industry took off, while others were waiting for soon to be introduced rental systems.

However, he said, members of the taxi industry were waiting to be able to use the cellular phone networks, as were dwellers in rural areas.

"This will definitely revolutionise business," he said.

Users of the cellular telephone network do not have to own a handset — the actual phone, but they do need a personal identification card, called a subscriber identity module, or sim card.

This card can be used to activate any cellular phone handset, and the cost of the call will be debited to the owner of the card.

Mr Mbonde speculated that people would club together to purchase a cellular phone, and each buy a sim card to enable them to use it.

Further development in the country as a result of the cellular telephone industry was promised by the Minister of Posts and Telecommunications, Mr Pallo Jordan, when he announced in June that R40 million his department received in revenue from the MTN and Vodacom would be donated to the government's reconstruction and development programme.

Mr Jordan said he would also consider adding future revenue from the two networks to the RDP.

Over the next five years, MTN and Vodacom were expected to pay R100 million to the Department of Posts and Telecommunications.

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# MBSA aims to become a player in the world market

EAST LONDON — Greater gains in efficiency and productivity, cost reduction and a more stable economy has positioned Mercedes-Benz of South Africa (MBSA) for continued success in 1995.

This was the view of the chairman of MBSA's management board, Mr Christoph Kopke, reflecting on the company's performance in what has been one of its busiest years.

Production lines have been kept busy preparing for the launches of its new Honda Ballade Speedline and the long-awaited C-class, and the company is on the verge of introducing its

first light delivery vehicle, the Colt.

The C-class has, since it was unveiled in Europe a year ago, scooped 14 awards, including the prestigious 1994 North American Car of the Year Award.

"Two things are extremely important for the future of MBSA," Mr Kopke said. "The first is the South African scenario. It is simply not possible for seven manufacturers to survive in a market of 300 000 passenger cars."

The current South African market is only 180 000 passenger cars a year, which served as a major inhibiting factor for the South Afri-

By TANYA JONKER

can industry to become a world player.

"When one compares this with Germany, which has a domestic market of two million and only five manufacturers, it is not difficult to see that only the most efficient will survive.

"Therefore our one objective must be to become the most efficient motor manufacturer in South Africa," he said.

The second factor which would have an impact on MBSA's future is the world scenario.

"We must become further integrated into

the world supply and assembly network of MBAG, and to do this we will have to become the most efficient subsidiary of MBAG," he said.

The keyword in both objectives is "efficiency", an area in which MBSA has recorded marked improvements over the past year, thanks largely to the implementation of an international "fourth revolution" in business management.

This new trend, which is based on a "Business Best Practice", is part of MBSA's vision "to become number one in turnover, exports and customer service in the South African automotive market."

Supported by the buzzword "empowerment", the fourth revolution focus on the development of a high level of trust between employers and employees to build high-performance work levels, which leads to a culture empowering the workforce to search for and implement the best way of doing things.

Because Best Practice involves the joint participation of management and employees, it has to balance human needs against business needs, an MBSA spokesman, Mr Shane Hagerty said.

"For employees there has to be improved work conditions and rewards, while for employers there has to be improved productivity and viability."

The move involved major changes in East London's management structure aimed at reducing levels of management and giving employees more responsibility over their own work.

According to the old structure, employees were answerable to supervisors, who in turn were answerable to superintendents who answered to managers.

The new structure sees the replacement of superintendents and supervisors by team managers, effectively

removing a layer of management, he said.

MBSA's Group Human Resources Manager, Mr Mike Folan, said the introduction of team managers was a marked change in management culture.

"In the old culture, work was broken down to the lowest possible skills level and the assembly process was supported by inspection and rectification.

"In the new concept, employees will be trained to do more meaningful work and will assume responsibility for their own quality," he said.

Increased levels of efficiency has brought MBSA closer to international standards.

In 1991 Mercedes-Benz commercial vehicles were up to 25 per cent more expensive than their nearest competitors. Today the price is only five per cent more than Japanese VC marques.

In the passenger car market, a Mercedes-Benz was 10 per cent more expensive than a comparative German luxury car. Latest figures show the prices to be totally in line.

Apart from increased efficiency, this was also due to the successes in the cost-reduction programme, which has seen costs cut by more than R190-million.

"Of this, only R38m is related to the reduction in the number of employees. The huge balance has come about through improvements in processes and systems, and this is where we have to make even more progress in the future," he said.

Efficiency levels were further raised by the implementation of effective cost-cutting exercises.

In 1990, 5 500 employees produced 900 000 "sold hours", which is the total amount of time taken to assemble the total amount of vehicles sold during that year.

This year, 3 700 employees will produce more than a million sold hours, reflecting a 10 per cent increase despite a 34 per cent "headcount decrease".

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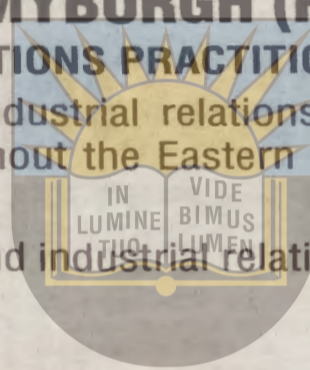
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In September we are to present, in conjunction with Butterworth Publishers (Pty) Ltd, a nation-wide seminar on **Labour Law under the New Constitution**. Locally the seminar will be held in Port Elizabeth on 19 September at the Marine Protea Hotel. The seminar will focus on the impact of the new Constitution on labour relations and labour law, provide delegates with insight into important contemporary labour law issues and an overview of anticipated legislative developments. The speakers will be:

- \* Prof. Martin Brassey
- \* Adv. Jeremy Gauntlett SC
- \* Adv. Paul Pretorius
- \* Anton Myburgh

Our consultancy team comprises of Jonathan Goldberg B Comm LLB MBA and Anton Myburgh B Juris LLB. Chips Deetlefs B Comm is responsible for training and development.

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# Doing business the fun way

Former Springbok surfer Andrew Carter at 31 has not only achieved fame within the esoteric surfing subculture but he is also fast entrenching himself as one of East London's more prominent entrepreneurs. **GRAESON HAW** spoke to him.

THE foundations of Carter's business started taking shape about eight years ago when he was "just messing around" in his back garden, and since then it has grown substantially. With his partner, Nolan van Wyk, he is now involved in the manufacture and retailing of surf boards.

Carter says Van Wyk teamed up with him after realising that one could do business and enjoy oneself at the same time. "Eight years ago I was messing around in my back garden and Nolan was a high powered businessman with a company car. I bought a house and was turning it into a commune and he ended up moving in. He just couldn't take going to work every day and seeing me enjoying myself with boards, so eventually he gave up his job and joined me, much to his parents' shock."

Carter as surfer and businessman may seem paradoxical, but he claims that his business, or at least the manufacturing side of it, is an artistic experience for him. This is one of the main reasons why he does not want to get too big.

About two years ago, Carter and Van Wyk bought a shop on the Esplanade and stocked it with basic surfing necessities. Carter claims the shop is fast becoming more lucrative than the manufacturing side of their business.

"We realised that with all the boards we're selling to these guys, each of them needs a board cord and a board bag and a wetsuit. We started thinking, 'Let's stock a few of the things that a surfer needs'. In the beginning it was very slack, but it grew and grew."

He added that the shop helps to keep him motivated, as he can move from one area to the next whenever he feels he's getting into a rut.

"It's a bit of diversity. If I wake up on a Monday and I'm not in the mood for shaping boards, I've got another job to go to."

Carter says his business is an extension of his love for surfing. Indeed his fascination for the sport nearly cost him his life when he was attacked by a Great White shark off Nahoon Reef last month. He escaped that round, sustaining injuries to his left side and buttock. A fellow surfer, Bruce Corby, wasn't so lucky. He lost his right leg and died later in Frere Hospital.

Carter clearly still loves the sea: he lives in a house overlooking the ocean. The lounge is painted in aquatic colours and there are large photographs of dolphins and tube riders on the walls. Shells dangle from the ceiling and there is driftwood lying on the floor in his bedroom.

This display is an apt reminder of one of his most important priorities: that his business should never cause him to lose sight of the thing he loves most — surfing.

"I've learnt, through travelling, that bigger is not necessarily better. Quality of life is important to me. As much as I enjoy making a bit of money, I also enjoy surfing every day and that's where I draw the line."

It's not as if Carter hasn't had opportunities to expand into other markets. In fact, he claims he could easily enter the Cape Town market, and he has toyed with the possibility of exporting his surfboards overseas. He is generally reluctant to do this, however, as he feels the local market is big enough to sustain him for now.

He adds that extensive expansion would mean crossing that "all work and no play" line.

"There's a sort of barrier you come to where you decide, 'I'm going to go bigger, there's definitely more money to be made'. I've been in situations where I've been really busy, going flat out all day and the weeks just fly by. Months later I've suddenly realised, 'What have I actually done for the past few weeks?'"

Carter maintains that if he were to get too big the artistic pleasure he derives from handcrafting the five or six boards he turns out in a week would fade. This creative aspect is something which permeates deeply into Carter's idea of what he wants his business to be like.

"Some of the bigger factories in the world churn out surf boards. The guys aren't thinking, they're just working to measurements. I still enjoy every surf board I do."

Carter's fame as a surfer has also had a very positive effect on his business as far as marketing is concerned. He is in a sense his own advertisement, although he does also sponsor young surfers and competitions.

"I always wanted to end up being a world champion, and I've done fairly well locally and in the bigger contests internationally. So I've sold my boards on my contest record a bit, I've been lucky to be able to have done that. My boards have sort of marketed themselves."

Carter and Van Wyk's shop is called Screaming Blue. For Carter the name epitomises the essence of having a streak of creativity and inspiration mixed in with the day to day formalities of running a business.

"Surfing to me is an art form: artists express themselves on canvas, surfers express themselves on the water."

"When you're flying along a wave, you can also say you're screaming along a wave. It's a combination of speed and expressing yourself. I always think you can tell what a surfer's personality is like by the way he surfs on a wave."

It might be a while before Carter is back screaming along any waves — he still hobbles from his encounter with the Great White — but as far as business is concerned, he's paddling out towards the lineup — in his own sweet time.



Avid surfer and East London businessman, Andrew Carter, hand-crafts a surf board. Apart from making and selling surf boards, Carter and his partner, Nolan van Wyk, also run a small surfing shop on the Esplanade.

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# No sour grapes for EL vinegar factory

In all, life seems sweet for Willie Pieterse and his staff of 43.

His best friend is *Asceto Bacter* — a tiny but energetic bacteria he nurtures carefully, sometimes all day and all night.

*Asceto Bacter* oxidises alcohol, itself a converted form of sugar, into ascorbic acid, a basic constituent of vinegar.

A power cut can mean the bacteria in a 40 000 litre batch of vinegar dies. When that happens, Mr Pieterse explained, "it takes a week of treatment to get the little buggers going again".

Modern vinegar production is not what it used to be. In the old days, baskets of wood shavings were kept in the vat. The wet shavings retained the bacteria, but sometimes soiled the vinegar.

With modern production, vinegar that becomes "hazed" or "mothered" is virtually a thing of the past. Careful filtration and quality control means vinegar remains clear, even after bottles are opened.

Mr Pieterse recalls how as a schoolboy he would climb into the vats to scrub them — an arduous and dangerous task. His father suffered from tuberculosis brought on by scrubbing vats, he said, but these days respirators and high pressure hoses have greatly reduced the risks of breathing vinegar fumes.

What does give Mr Pieterse indigestion is the threat of unfair competition.

That comes not from the manufactures of wine and spirit vinegars, he pointed out, but from producers who use petroleum-based ascorbic acid.

Petroleum products, in particular coal, can yield 99 per cent proof ascorbic acid. The resulting vinegar is used in huge amounts in the textile industry among others.

When diluted, it can also be used domestically and some supermarkets have snapped up the vinegar, despite its "very sharp" taste. The chief attraction is unit price — around half the cost of wine and spirit vinegar.

Mr Pieterse and the three other major manufacturers in the country have taken their complaints to the Department of Agriculture who, they hope, will force "coal vinegar" to be labelled as such, or at least labelled as "synthetic vinegar".

Taste is important in the vinegar industry, even most consumers are unaware that brown vinegar is really clear vinegar coloured with flavourless caramel. Taste comes from the amount of fruit left after the base alcohol is converted to vinegar — the more fruit, the "softer and smoother" the taste.

Sour wine could describe the past 30 years at the East London vinegar factory, but not sour grapes. From a two-man factory located in a converted airforce mess in Gately Township in the 1960s the enterprise has become a tightly organised business where scale does not precede variety or quality. **GREG HOLBROOK** paid the factory a visit.

East London is renowned for pineapple fruit, and the vast quantities of pineapple juice produced here may well pave the way for the future of the factory, if production techniques are perfected.

Initial attempts at making pineapple vinegar were unsuccessful, if not calamitous. An investment of R30 000 soured after thousands of litres of pineapple vinegar developed a taste that put off overseas importers. "The biggest lesson we learnt was to add pineapple alcohol to vinegar, and not vinegar to pineapple juice," Mr Pieterse said.

A pilot project is on the cards for next year aimed at better quality in smaller quantities.

Plans for the future remain ambitious, but not overly so as building on established production is an important concern. They include flavoured vinegars for home industries, a project favoured by Mr Pieterse's wife, Wendy, and expanded markets for a line of yeast-fermented mielie meal drink called "Phuzimpilo", which is Xhosa for "healthy drink".

Phuzimpilo comes at present in pineapple, guava, banana, and strawberry flavours. As quality has improved through better technology the factory will look toward radio advertising next year, Mr Pieterse said.

The range of flammable products, benzene, turpentine, and methylated spirits, is losing ground to the vinegars and flavoured juices, which Mr Pieterse ascribes to the expansion of electrification. For the past four years sales of flammables have been down five per cent a year, a trend that reflects a national average, he said.

The prospect of new markets is gloomy, "unless we look North". But increased trade with African markets poses its own problems, principal among them the question of secure money. "They don't have the money and we need financial security," Mr Pieterse said with reference to the enquiries the factory had received so far.

Mr Pieterse took over the company in 1977 from his father and technical director Mr A. D. Viljoen after finishing a Bachelor of Commerce degree at the University of Port Elizabeth.

same time that wages were increased by around 20 per cent.

It seems co-operative annual wage negotiations, help from management with housing, and an efficient and personal management style have contributed to a low staff turnover where most workers have a decade of employment behind them, and some have retired with a 30-year service record.

For now the outlook for the East London Vinegar Factory remains seasonal — its main product is used for "biltong in winter, and salads in summer".



The hive of activity inside the East London vinegar factory.



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# E. Cape Spoornet is on the move



The Eastern Cape Region consists of approximately 2 220 km of railway lines that includes the main line from East London to Springfontein.

AS COMMUNITIES, companies move through different stages of high and low growth. This can only be successfully accommodated in an environment of change.

The Eastern Cape region of Spoornet is on the move and has accepted the challenge of this dynamic process.

The Eastern Cape Region consists of ap-

proximately 2 220 km railway of lines that includes the main line from East London to Springfontein. Other railway lines are Blaney to Cookhouse; Amabele to Umtata and Sterkstroom to Maclear. At Burgersdorp and service links up with a private railway company with a service running to Barkley East.

The region's core business is the adding of value to every product it transports. This is done by designing logistical packages for commodities.

The packages go beyond merely offering third party logistics. It also offers warehousing, handling equipment, cargo controllers, door-to-door services and information systems, etc, as well as:

- Road deliveries of consignments from railheads to clients.

- Advice and guidance on the securing of traffic on rail wagons.

- For customers with private sidings haulage facilities are available.

- Well equipped clients services managers and marketing officers make personal contact with customers to offer advice on all aspects of transport.

- Warehousing facilities are available at certain points to assist clients in the distribution of their products.

The client centres that have been established enable a one stop service to customers and make use of the latest electronic technology in order to ensure that high levels of service are maintained.

For mainline passengers, the Amatola runs every day except Saturdays in both directions between East London, Bloemfontein and Johannesburg. First, second and third class accommodation are available as is a range of on-board services.

The region operates the Metro commuter services between East London and Mdantsane on behalf of the South African Rail Commuter Corporation. This is a fundamental means of transport for many people in the area.

The region has all the necessary technical and administrative expertise to ensure that all services, railway lines, rolling stock and signals are always maintained according to stipulated requirements.



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# EL battery a world first

A FLAT-top hybrid battery design developed by First National Battery (FNB) at their East London plant and released on to the South African automotive market recently, is a world first for the country.

Whereas in the past lead-antimony alloy was used for the grids of both the positive and negative plates in automotive batteries, hybrid battery technology uses a lead-calcium alloy for the negative grids.

This technology was initially developed in the United States and then perfected by German battery manufacturers, particularly

Hagen Batteries, with whom FNB has an agreement for the exchange of technological information.

"Our designers took a long, hard look at the design of the battery, which according to German DIN standards has a raised section next to the terminals to accommodate a venting feature, and decided it could be improved upon," FNB managing director Louis Laubscher says.

The new battery uses micro-porous poly-

ethylene envelope plate separators instead of the old-type separators which are merely located between the plates. These envelope the plates and trap the tiny

particles which, in the old type of battery, would sink to the bottom of the container, eventually forming a sediment which shorts out the plates.

"With envelope separators it was no longer necessary to leave a space below the plates for this sediment," Mr Laubscher says. "This enabled us

to lower the plates and accommodate the venting feature centrally above the plates without the need for a raised section in the top of the lid."

Other benefits include minimal water loss and no topping up between services, greatly reduced risk of spillage or battery acid corrosion in the engine compartment, greatly improved shelf life, improved charge acceptance and resistance to over-charging, which affects battery life.

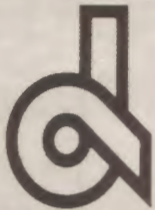


Product design engineer at First National Batteries, Tony du Preez, with the old battery (blue top) and the new (white top).



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Water Tanks business in Dimbaza supplying to the entire Border region.

As much as the corporation has progressed well against adversity the scope of task that awaits it in the years to follow as a result of the decreasing intake of personnel in the formal business sector and increasing loss of jobs with no hope to replace them poses a question of whether the corporation will continue being able to fund its capital requirements in order to sufficiently meet the increasing demand for its services.

Recent changes in South Africa have made the corporation to take a pause looking forward to the challenges facing it and how it should shape itself in order to make a significant contribution in the Government Reconstruction and Development Programme.

It is also time for businesses under the ownership of both black businessmen and white businessmen to join forces in partnership as well as for big and small businesses to prove that the sub-contracting principle can be successfully applied in South Africa effectively. As the corporation we are currently doing our best to facilitate and provide necessary support to ensure the success of this concept in this region. Companies with an interest for sub-contracting to small businesses as well as prospective business owners in need of advice on how to start their businesses are invited to contact the Marketing Office.



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# Using affirmative action wisely

By VUYANI GREEN

CONVENTIONAL thinking of many companies in the Border-Kei region about affirmative action concentrates on blacks and women trickling through managerial and boardroom positions.

However, others strongly assert that the controversial policies of affirmative action should be broadened to include social responsibility programmes meant to improve the lot of not only workers at the workplace, but the community as a whole outside the confines of the company.

Some who refused to be named though regarded affirmative action as a reverse discrimination. They asserted that it attempted to discriminate against those best qualified either by virtue of their experience on the job or qualifications.

They said the policy places the criterion of race above that of merit and the results is poor performance. This is a potential for increased tensions rather than harmony at the work place, they said.

Other companies maintained that such programmes are necessary because disadvantaged communities did not have an equal start although opportunities might have been equalised with the changes that had swept through the corporate world.

The Mercedes Benz of South Africa (MBSA)'s manager for

Human Resource Services Mr Shane Hegarty, said his company recognised the legacy of past discrimination in the socio-economic spheres in the country.

He said as the result they had put in place an affirmative action policy to address race, gender and physical disability discrimination in the plant. The aim was to make the company's employment composition reflect the demographics of the South African society.

Moreover, an action plan for the East London manufacturing location was established after consultation with employee representatives. The aim of the plan is to include specific guidelines as regards ratios to be applied when approaching both internal and external recruitment and opportunities for human resource development, he said.

Mr Hegarty said his company stressed the recruitment, training and development of employees previously discriminated against.

He also said a process of sensitising employees within the plant to the urgent need of a culture shared by all aimed at redressing the imbalances within the present employment profile was underway.

In order to ensure

successful implementation of affirmative action MBSA had arranged for an affirmative action committee, action plan, representative of management, staff and shop stewards to meet on a quarterly basis to review progress that would have been made in terms of the application of the guidelines, Mr Hegarty said.

African Bank's regional manager Mr Clifton Xundu, said there were programmes at African Bank designed to ensure that everyone regardless of race, gender or creed was accorded equal opportunity.

He said in an attempt to address gender imbalances: "We've appointed two senior bank managers, one in Bisho and the other in Umtata."

However, he acknowledged that the appointees had never had prior exposure, but added that through internal training they had made it to the top as the result of their competence.

Mr Xundu said to define affirmative action in terms of policies designed to improve the lot of traditionally discriminated against employees at the work place was to be short-sighted.

Affirmative action

had to be seen in terms of attempts to improve their lot outside of the confines of the organisation, he said.

In this regard African Bank had been involved in a process of financing people who are in need of housing and other small scale entrepreneurs "as long as they are prepared to pay us back," he said.

Mr Xundu said the bank was not racist by providing preferential financial assistance to traditionally disadvantaged communities, saying that those communities had never been given an equal start to develop themselves.

Johnson and Johnson's director for Human Resources Mr W. M. Munro, maintained that his company had seen the need for affirmative action outside the workplace by giving financial assistance to students from traditionally disadvantaged communities.

The senior manager for public relations and marketing at the Transkei Development Corporation (TDC) Mr Themba Mathe, boasted that his organisation had seen the need for black advancement and had utilised a pool of manpower readily avail-

able shortly after key positions in the corporation had been vacated by whites after the nominal independence of Transkei.

However, the initial process of giving blacks senior positions in the corporation was not without weaknesses. "We had to re-train some workers as they lacked both experience and exposure," he said.

The regional manager of Karoo Ochse — a livestock's auctioneering corporation in Queenstown, Mr Eddie Luppnow, said his corporation had recently begun applying affirmative action by appointing a senior black auctioneer.

The appointment of a black manager was a step by the corporation to ensure that the best person regardless of race, gender or creed, got the job, he said.

He said the appointment was an outside recruitment as the corporation did not have a pool of suitably qualified personnel to fill the position. He added that a programme of in-house training of workers was in the offing.

Another area of focus, which Mr Munro reckoned was the most challenging, was black and female advancement in the company.

He said for the past 10 years and possibly more, Johnson and Johnson had met its goal of filling one out of every two vacancies in the areas of sales, professional, supervisory and management with blacks.

However, Mr Munro acknowledged that the process was not without problems, but the company managed to obviate the problems through internal training.

After the potential had been identified it had to be translated into successive managerial skills, we had been unable to retain the latter, he said.

Mr Munro said the yardstick his company used in promoting employees was merit but added that commitment, value system, team work and ability to work with others formed the basis of that criterion.

Mr Munro cited a few examples of Johnson and Johnson previous managers whom he said had achieved major success, the Independent Development Trust (IDT)'s executive director, Mr Mzolisi Diliza, the executive director of the National Sports Congress (NSC) and newly appointed South African Secretary General for the Commonwealth games Mr Mthobeli

Tyamzashe who has also been appointed director-general for Sports and Recreation, and many others.

Mr Munro however acknowledged that there are few if any black managers serving on the company's board of directors.

"We still have a long way to go before we meet our objective and be satisfied that the race and female demographics of the country are truly reflected in all levels of the company," he said.

The corporate world seemed to be unanimous in their assertion that their success laid in the identification and the development of managerial talents from within the company rather than the costly strategy of poaching experienced managers from outside.

According to the managing-director of Radue Weirs Holding which has more than 16 chain stores in the Eastern Cape province Mr C. M. Ogden, his company had introduced formal and informal programmes aimed at the development and upliftment of all its employees.

Mr Ogden maintained that these programmes are designed to attempt to redress the imbalances of the past era.

The company believed in equal opportunity for all its employees and wherever possible adheres to the policy of promotion from within the organisation.

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# Challenging the status quo

By NOLEEN DE FREE

"KOKHANYA Kuqamambe" or "Let light shine" is the motto of Sunrise Chemicals in Butterworth, the first black-owned chemical manufacturing company in the Eastern Cape region.

And light is in fact shining for founder and now managing director, Mr Andile Gqamane, in the form of an annual turnover of R1,5 million.

Mr Gqamane, or Andy as he is known, said it was through sheer curiosity and concern that Sunrise Chemicals was born.

"I was concerned by the fact that most things were being done by the whites. So I asked myself why only whites were in the manufacturing process," he said.

He then decided to challenge the status quo by forming Sunrise Chemicals, which manufactures and supplies household detergents and chemicals, such as dishwashing liquid, methylated spirits and toilet paper.

Mr Gqamane said the company started small, but grew to generate an impressive annual turnover.

"There are hiccups and problems, but it is important to

keep reviewing your plans and implement control measures.

"By doing that, you eliminate the chances of drastic drawbacks."

He said his philosophy towards his staff and factory workers was: "Treat every member of your company as a family member."

And it has certainly worked for him — to the extent that his 106 employees unanimously agreed not to join any union.

"We work as one big family and my workers were given the opportunity of unionisation."

"They felt they did not need a mediator between them and myself as all our dealings are directly with one another."

A B. Comm graduate, Mr Gqamane is a former president of the Butterworth Chamber of Commerce, a member of the International Fabricare Institute of the USA, a member of the Nafcoc governing council, a member of the Black Management Forum and of the National Economic Forum representing Nafcoc.

He is also the owner of Andy's Paper Products, manufacturers of toilet tissue paper, which he started with a R750 000 investment.

It now has a turnover of R2 million a year.

His single-minded ambition is to see his toilet tissue paper company listed on the Johannesburg Stock Exchange, alongside big names like Carlton Paper and Nampak.

The company distributes throughout the Border-Kei region and southern Natal.

Mr Gqamane said he was hoping to be in the PWV region by the end of the year.

In 1983 he started a small filling station and later turned it into an undertaking with R4,5 million a year turnover.

In 1984, he started a dry cleaning business and by 1987, bought out his sole competitor in But-

terworth, capturing an 80 per cent control of the dry cleaning market in the area.

He later sold these smaller undertakings to concentrate on manufacturing.

Besides his two manufacturing businesses, he owns a hotel.

His companies benefit directly from his considerable academic experience as he majored in business management and accounting in his degree.

He is a member of the Institute of Certified Bookkeepers and has a marketing diploma.

He oversees his entire accounting system himself and insists on internal training.

He also sends staff to seminars on a "teach one, teach all" basis and his senior people are also given directorships.

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## Unions link staff, business

TRADE unions served as communication links between business and employees, the regional secretary of Cosatu, Mr Humphrey Maxegwana, said.

Unions had lines of communication with the regional chambers of commerce and informed them in advance of planned worker action.

Mr Maxegwana said there was no other way trade unions could help boost businesses because they belonged to employers, while unions comprised employees.

He said unions negotiated with businesses before embarking on any action.

They tried to get management to recognise workers and to involve them in decision-making in the workplace.

Businesses were also assisted in the area of affirmative action so they could train workers to progress through the ranks until they reached management levels.

He said trained workers boosted productivity.

Mr Maxegwana said the unions would also help the regional government with its Reconstruction and Development Programme (RDP).

Workers' funds, such as those in the provident funds, could help the government with its housing projects, Mr Maxegwana said.

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We develop the region.



With its harbour, East London is a "gateway" city, giving it a vital role to play in provincial tourism.



## EL looks for a role in E. Cape tourism

THE ONGOING initiative to restructure provincial tourism began in East London, in June. For the chairman of the recently-created transitional management committee for provincial tourism, Mr Blacky Komani, this is no coincidence.

Mr Komani believes that with its harbour

and airport, East London is a "gateway" city, and he is confident it will have a vital role to play in provincial tourism.

In East London itself, the main focus of

TOURISM is in a state of flux, with restructuring underway in East London and throughout the province. With the head office of the new provincial tourism board to be in the provincial capital, and regional offices probably in Umtata, Port Elizabeth, and the Aliwal North/Queenstown area, where will East London fit in? GUY DE MARNIGNY investigates.

the city council's effort to promote tourism has been on building up the sports infrastructure, especially upgrading facilities, says the mayor, Mr Carl Burger.

"You have to have a product," he said in a recent interview. "Cape Town has Table Mountain, for example. A specific feature is needed, around which to build on, to develop tourism."

"The spinoff from concentrating on development of sports facilities, is that both players and visitors are attracted to the city, to its benefit."

Mr Burger cites the Australian cricket tour, during which Channel Nine television staff arrived here and gave excellent coverage of the city.

Another initiative, an advertisement in the British Financial Times, had not produced much response. But last April's Easter campaign was successful.

Such efforts are necessary to advertise the city at a time when potential investors are curious about opportunities in a new market, he says.

The council can do only so much to promote tourism Mr Burger adds, saying the private sector must also play a role.

For example, it needs to ensure that accommodation meets international standards. The city is expecting many visitors during the rugby World Cup next year.

At the core of the publicity drive for 1995 will be the World Cup, with the city's effort forming part of the wider national campaign by the South African Tourism Board (Satour).

The executive director of the Border Chamber of Business, Mr Errol Spring, says business is supportive of council initiatives, but these are not systematic.

While the BCOB approves of using promotion of sport facilities as a marketing strategy, the council needs to devise others, he says.

"An example of these ad hoc efforts is the Easter campaign. A more sustained effort is needed." Business believes, he adds, that ground had been lost

to other coastal venues, like Port Elizabeth.

The council has been disappointingly slow in creating a new city publicity association, to replace the previous one.

The chairman of the board of the Border Tourism Bureau (BTB), the city's new publicity association, is a city councillor, Mr Donald Card.

Publicity is not directly administered by the council, he says. The council provides monies for the running of the association, and is represented on it.

The Greater East London Publicity and Tourist Association (Gelpta) dissolved last

year. Delay in getting its successor started has been related to the wait for a licence, Mr Card explains.

Permission is still awaited for the bureau to register as a new, non-profit company, Mr Card says. This should be finalised by mid-August.

"The council has set aside R300 000 for publicity, and once the Eastern Cape provincial authority gives the go-ahead, we can use this money."

"In the city's interests, we would also appeal to other publicity and tourist organisations to contribute to the high running costs of the BTB," he said.

The BTB elected Mr Card as board chairman at its inaugural meeting in June.

From August 1, Tours Express, Karoo Tours and other tourist buses leave from the Old Library premises

in Argyle Street. Booking offices should also be there, by mid-month.

Light refreshments will be available, and suitable furniture will be provided, so that passengers will have facilities similar to the Johannesburg Rotunda.

If needed, the council might be able to apply for funds from the Amatola Regional Services Council: its budget has set aside R800 000 for tourism.

East London must be seen as a part of the whole, Mr Spring says in his closing remarks. It was in the city's best interests to participate in broader negotiations that would affect the provincial economy, and marketing strategies.

The BCOB supports the provincial government's commitment to create a unified tourism structure. Development of tourism is a top priority for the city: it would create jobs and promote East London's economic growth and development.

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IND1

# Transkei industry is back on its feet

THE TRANSKEI engineering and construction industry, brought to its knees during the period of uncertainty before reincorporation, is back on its feet and tackling a range of substantial projects.

Investment funds are starting to flow again as confidence picks up, memories of pre-election violence fade and tourists return to coastal resorts.

And, activity is not restricted to the regional capital, Umtata. While industrial development remains muted, a number of commercial and infrastructural projects are underway throughout the former homeland.

Quantity surveyors Botha Shelver Cotterell & Peirson, who have operated in the Transkei region for 28 years, provide an impressive list of contracts that are either underway or well advanced in the planning process.

The department of works and energy, for example, is involved in the development of four teacher training colleges, each estimated to cost about R35m and boasting Old Mutual Properties

by **DAVE MARRS**  
Business Editor

residences valued at R15m each. The colleges, situated at Sterkspruit, Cicira, Umzimkulu and Lusikisiki, are being financed by the Development Bank of Southern Africa (DBSA) and should open their doors in time for the 1996 academic year.

Each will cater for 750 students, with residential accommodation for 600 people.

Tourism in the region is being boosted by extensions to the Umngazi River Bungalow Hotel, costing more than R3m and comprising a new reception area, administration offices, diningroom, kitchen and entertainment facilities.

According to Botha Shelver, several commercial developments are also being investigated in Lusikisiki, Mount Ayliff, Mount Frere, Engcobo, Cala and Butterworth.

A Shell Ultra City is in the process of construction on the outskirts of Umtata at a project cost of R3,7m, scheduled for completion towards the end of this month.

have completed new buildings in Port St Johns and Mount Frere, while the Old Mutual Butterworth project, valued at R3m, is nearing completion. In addition, the institution's building in Umtata has recently undergone extensions, and plans are afoot for an upgrading of the facade and a development at Engcobo.

Additions to the Transkei Technikon at Butterworth are currently nearing completion, with a project cost of R1m.

Botha Shelver director George Cotterell says the Transkei school and clinic programme, comprising projects estimated to total R80m, is running well in a number of districts, while the government is planning to increase the total by up to R60m.

A R10m labour-intensive development scheme is presently underway in Umtata, and is divided into three phases:

- Additions and alterations to the Zamu-kulizsa Building Training Centre;
- construction of an administration, hospitality and catering block; and



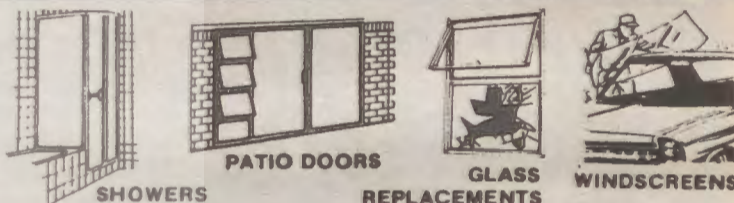
With a project cost of R1 million, additions to the Transkei Technikon at Butterworth are currently nearing completion.

- construction of a drivers' training pad and building.

"Each one of these phases has its own specific aim besides that of providing the building. The development at the building training centre and the drivers' training post uses recently trained builders to construct the building, thus providing them with on-the-job training."

"This is how projects will have to be procured in the future as it has positive implications for the people of South Africa," Mr Cotterell says.

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Rowen Hawkes, who is a co-owner of Aquarius Inflatables, a Wilsonia based company which manufactures these sporting little

boats, says he too is getting in on the action to meet the needs of the market.

The market, as far as he's concerned though, is not here in East London.

Even though his business is just outside the city centre he claims the local market has become swamped, and in order

to sustain himself he believes it's necessary to find other ponds to float his ducks on.

Although he does sell a fair share of boats locally, most of them through his agent, Berea Yamaha, he says he is mostly concerned with the Transvaal, Orange Free State, Natal and sometimes Knysna market.

# Rubber ducks: a flourishing industry

By GRAESON HAW

"The East London market is dead as far as I'm concerned. I don't even worry about it. That's why you hardly see me advertise," he said.

He added that it was very unusual for out of town manufactures to sell boats down here.

"Six years ago the boating industry really took off and from the start it was flooded."

Mr Hawkes is a 20 per cent share holder in the business along with his father, Elwyn, Mr James Murphy and Mr Tony Linden. With the help of the capital backing from his partners, Mr Hawkes bought the business in 1992. At the time it was based in Buffalo street.

"I basically run the business, while they put up the capital," he said.

After a month the company changed premises to their present location in the Wilsonia industrial township. Mr Hawkes said the Buffalo Street area had been too crowded, and had had a negative impact on their production.

Hawkes, who has "been doing the national circuit on and off for the last three years", believes that one of the best ways to advertise his boats is to get them out on the water and show people exactly what they can do.

He recently took advantage of the crowds at the Gunston 500 to do just this. With thousands of people watching, Hawkes took out onto the water a new P3 class racing boat, which uses a 30 to 40 horsepower engine, and proved it had the right stuff by winning his race.

He says he has since had a sizeable amount of feed back from people as a result of this display.

Aquarius has recently consolidated itself in a number of ways. In the past the company used to rely heavily on local fibre glass manufacturers to produce some of the parts for their boats. Hawkes said this had often led to delays which resulted in him not being able to get the boats to customers fast enough.

He has subsequently started up a fibre glass

operation inside the factory and is now producing his own fibre glass shells to prevent any needless delays.

Also by teaming up with R and P Injection Moulding and Gravett Engineering the company has been able to reduce its reliance on imports. Components like valves and grab handles, which until recently had to be imported, can now be obtained locally.

By cutting their staff down to "a manageable number of workers" the company has also been able to consolidate their work force and provide greater job security.

Hawkes claims this was necessary as his industry is influenced by the seasons, which meant that in the past workers would have to be laid off during winter. Hawkes believes that a worker must know his job is secure in order for him to be productive. He currently employs 15 workers in the factory.

Because the company deals with a large market, they often have to process a substantial number of orders. Hawkes admits that while this can be

very profitable it also means having to sweat it out for a nervous couple of months before any return on the outlay for materials is seen. "We pay up front for a lot of materials and we're only getting paid three months down the line," he said.

For Hawkes there has been enough incentive for him to take the business to the level it has reached. Apart from having dealings in the South African market he has also sold his boats to buyers in places like Mozambique, Zaire and the Seychelles, and he currently has plans to start exporting to the United States.

As a result of government incentive schemes to encourage exportation he is often able to claim a 20 to 25 per cent return on those items manufactured in South Africa.

At the moment Hawkes claims the company is doing good business, as shops are busy preparing themselves for the warmer seasons. The piles of completed and half completed inflatables on his factory floor would seem to support this claim.

"August is a good month. A lot of boat shops order boats so they can get them onto their floor for the new season," he said.

The company is presently operating at a capacity where it turns out ten of the larger semi rigid crafts a month and ten to 15 of the smaller fully inflatable boats.

Besides the small amount of local business Aquarius does, it also supplies: A dealer in Durban, two in Johannesburg, another in Klerksdorp and two in the Orange Free State.

"We give a flat rate of 20 per cent on all the boats and we give an extra five per cent for cash in 14 days," he said.

He added that the dealers came out smiling because they also made money off the sale of the motor as well as all the other accessories which come with the sport such as life jackets, helmets and diving equipment.

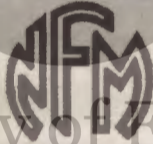
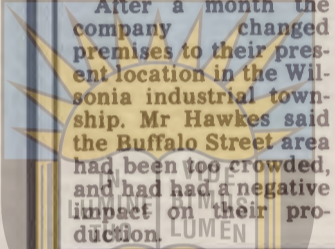
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Mr Nkwinti's belief serves as an alternative to the almost complete lack of natural resources in the province as opposed to some others in the country.

The province is the second poorest in the entire country. It has only two major cities, East London and Port Elizabeth, as well as two former homelands, Transkei and Ciskei, whose economies had largely been sustained by the civil service and tax concessions.

With its vast coastline which is seen as its biggest asset, the prospects for growth are ever high and for that to be realised image projection is important. To this end the role its people have to play becomes even more important.

"I think tourism will become a major source of revenue. In other words the base for economic growth in this province is the people," Mr Nkwinti said.

"This would involve the maintenance of stability and social order as well as the creation of viable infrastructure including railway lines, airports, and reliable transport service.

He said the government also had an equally important role to play in terms of projecting a capacity to deal with all social problems in the province as well as a political will to do so.

Mr Nkwinti is concerned about the province's "penchant to shoot itself in the foot. People are quick to talk about things in a negative way. Transkei for example has always been projected in a most negative way," he said.

"This is unfortunate especially since there are a host of other positive things which should have been said about Transkei and Ciskei regarding goodwill among the region's different peoples which are ignored."

# Tourism seen as economic key

Mr Gugile Nkwinti, sees tourism as the only recourse for the province's economic development and believes that the province's primary resource for future economic growth is its people. **LUZUKO JACOBS** spoke to the former director of the Grahams-town-based Eastern Cape Development and Funding Forum's and now Speaker of the Eastern Cape parliament.

He blames the "the economic geography of apartheid" for the lack of black economic empowerment, but adds that the goodwill that prevails in the province could be harnessed as a means of redressing the state of affairs.

Other problems that he identified included "dependency of the former bantustans economies on civil service, inequitable land allocation and a huge bureaucracy with bloated salaries."

"Black empowerment is relevant when you say we have preponderance of black businessmen and entrepreneurs and therefore how do we create a condition that would enable partnership with those who presently own big business?"

He reckons it would be "easy to form partnerships in a region like this where there is goodwill" despite the problem of mistrust as a result of regionalism.

The political leadership must show the necessary leadership, the necessary vision and build trust among the people.

Nkwinti warned against what he called "welfarism" which he said was possible because of the poor state of the province.

"When you deal with poor people you could be tempted to slide into some kind of welfarism which is anti-developmental in character. This we should avoid at all costs.

"People would neither gain control over themselves nor have power and be

able to deal with challenges and involve themselves in development."

He thinks the government, through the process of the reconstruction and development programme could "encourage savings of a particular kind" by people and could also use the programme as a basis on which to build.

Mr Nkwinti criticised the exploitation that resulted from tax

concessions in the past, but also stressed that in future the matter had to be researched thoroughly and should not be looked at "as an either — or situation".

He believes that the diversity of economic ideas, as a result of a convergence of conflicting ideas in the government of national unity is the basis of strength for the government. To harness this we



GUGILE NKWINTI

would need tolerance.

For him future prospects for the province rely heavily on the ability of those in positions of authority "to learn and to learn fast."

"Transparency in this regard would see us through in that it would serve to dampen high expectations when you let people know that you are learning.

"Goodwill, political maturity, transparency and the ability to learn fast form the basis of my optimism regarding future economic prospects of the Eastern Cape.

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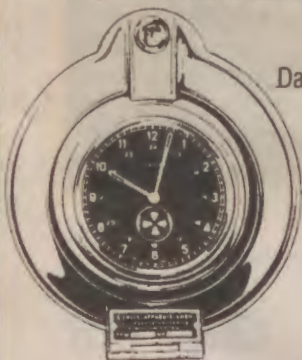
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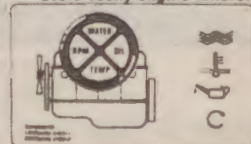
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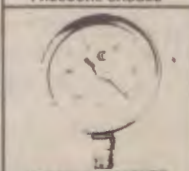
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# How small business survives

AN INDEPENDENT owner of a shoe shop in Gonubie, who has had the business for 10 years, Mr John Saunders, claims: "commitment must be total".

"The line between success and failure is so fine and never ceases to be so. Even after 10 years, I am not complacent."

He said while there were advantages to having your own business, there were also many variables such as pricing, demand and overheads which owners had to take into account.

He said people got to hear about him mainly by word of mouth, which he says is the most effective means of advertising for small businesses.

Having seen other small enterprises come and go, Mr Saunders said in many cases they failed because owners expected to make a profit within a short period of time, which was not a realistic expectation.

As the turnover was often small, owners who immediately hired staff ran into financial difficulty because their costs were too high.

Small business owners interviewed at Lock Street Gaol agreed: "Hard work makes a business work."

Depending on the product, selling goods at flea markets or shows was a useful way of promoting and advertising goods aimed at a specific market, they said.

Extra effort was necessary to overcome the disadvantages they faced, including lack of passing trade and competition with large stores.

One owner said as small businesses were faced with expenses such as levies and taxes similar to larger businesses, she felt there should be some arrangement to assist them until they were established and had reached a certain turnover.

Small business owners in Arcadia Park also cited hard work and dedication as the secrets of success, as well as wise planning and customer satisfaction.

With a network of six offices, the SBDC is involved in developing small business in the Eastern Cape. This includes granting loans, the provision of premises, advisory and training services, the fishing industry and special projects for small business promotion.

Their offices are situated in East London, Port Elizabeth, Grahamstown, Queenstown and Uitenhage. They also have a Pioneer Project Unit.

The manager of the development promotions department, Ms Gillian Roffe, said since the opening of the East London office, R38 million finance had been approved and R12,8 million had been invested in the development of business/manufacturing complexes, maintaining about 3 838 job opportunities.

She said the Arcadia industrial complex catered for 96 small business entrepreneurs.

The Queenstown branch of the SBDC, which opened nearly six years ago, is part of the Border-Kei region. In the formal and informal sectors 86 loans totalling R520 000 have been approved during the past 12 months and 203 job opportunities were created in the same period.

The Grahamstown and Uitenhage branches have recently amalgamated, becoming the Midlands sub-region. With a budget of R35,7m, this region has created 12 000 jobs.

This sub-region is responsible for the fishing portfolio and covers the region stretching from East London to Mossel Bay.

Finance is provided for boats, fishing and boat equipment, fisheries related development projects and housing for full-time commercial fishermen.

Ms Roffe said the Pioneer Project Fund was launched by the SBDC after R60 million was made available by the government.

The SBDC contributed an extra R28m,

Dedication and hard work are the key elements of sustaining a small business and making it successful. This was the general opinion of small business owners, both private and those located within the Small Business Development Corporation's (SBDC) Lock Street Gaol complex and Arcadia Park industrial hive in East London.

**GILLIAN WARREN-BROWN** investigated how the small businesses survive.

bringing the national total to R88m.

In the Eastern Cape, special Pioneer Project units have been formed at all SBDC branches and R8m has been allocated for development in the region.

can be set up in communities for manufacturing and training purposes.

In the Eastern Cape, six joint venture projects with non-governmental organisations, totalling R224 100 have started.

The fund will also assist arts and crafts and home industry development.

Research development on small and medium enterprises will be supported and funds of R250 000 has

been made available for research at universities.

Ms Roffe said the SBDC had recognised the need for a youth entrepreneurial club.

A number of Technikon students were being brought together and made aware of the employment crisis.

They were briefed regarding the situation that few successful students secured jobs in the formal sec-

tor and that they should learn to understand the concept of self-employment, which was not always explained through the educational curriculum.

Drawing from the advice of experienced small business owners, a successful enterprise should be based on sound planning and dedication.

The help of the SBDC can be valuable in providing training, advice and financial backing for those willing to take the step towards self-employment.



Mncedisa Magasho puts the finishing touches to a kennel while Welcome Menziwa paints a kennel at the Wood 'n' Gardens SBDC complex in Arcadia Park.

Since the fund was introduced last year, 1 632 entrepreneurs have undergone training, an essential part of the programme.

Another feature of development through the fund is the establishment of business information centres, where young entrepreneurs can obtain advice from professional people on how to run their own businesses.

There are also support services available to assist people operating market stalls, hawkers and container units.

So far R265 000 has been invested in the region, setting up hawker stalls, container shopping centres and car wash projects.

The fund will also cover community based hives — which

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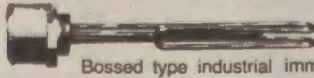
  
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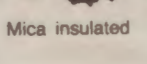
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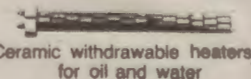
  
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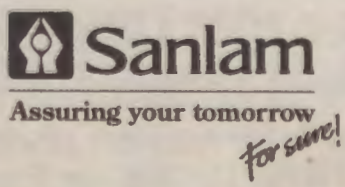
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LOCAL labour law and industrial relations practitioners, Goldberg, De Villiers and Myburgh (Pty) Ltd, who are based in East London, Umtata and Bisho, have recently joined forces with Butterworth Publishers concerning the publication of the Butterworth's labour Law Reports and the presentation of a national annual labour law seminar.

The reports, which were released in July, are published monthly and are fully up to date with all cases reported within two months of being released for publication.

The reports consist of: a single comprehensive labour law report; all decisions, released for publication, of the Industrial and Labour Appeal Courts in South Africa and selected Su-

# Labour law seminar an annual event

preme Court decisions; the full text of each judgment in its original form; a comprehensive summary of each case; an editorial reviewing cases; a table of cases; and a user-friendly index which will be published in a cumulative form at the end of each year.

Goldberg, De Villiers and Myburgh (Pty) Ltd are the Managing Editors of the reports. Advocate Jeremy Gauntlett SC is the Consulting Editor and the Editorial Board consists of Anton Myburgh (Editor-in-Chief), Jonathan Goldberg, Colin de Villiers and Advocate Rayn Wade.

Mr Myburgh said that in his view, the reports were the most up to date fully comprehensive labour law reports on the market and should provide legal practitioners and the industrial relations fraternity with valuable assistance in

keeping abreast of developments in the dynamic field of labour law.

Mr Myburgh mentioned that the reports had been specifically designed to cater for the needs of legal practitioners and human resources/personnel managers alike in that whilst the full text of judgments are at hand each case is preceded

by a reader friendly summary and an editorial is contained at the beginning of each issue reviewing the case reported therein.

Mr Myburgh said that simply by reading the editorial on a monthly basis readers would be kept fully up to date in respect of all developments.

The labour law semi-

nar is to be held country-wide in September. Locally it will be held in Port Elizabeth in September 19 at the Marine Protea Hotel.

The seminar will focus on the impact of the new Constitution on labour relations and labour law, provide delegates with insight into important contemporary labour law issues and an overview of anticipated legislative developments. The speakers will be: Professor Martin Brassey; Advocate Jeremy Gauntlett SC; Advocate Paul Pretorius; and Anton Myburgh.

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The provision of communications and telecommunications is vital for the delivery of these services and impacts directly on the economic development of the rural and poorer communities. In terms of the RDP, telecommunications services must be provided to all schools and clinics within two years.

The biggest challenge faced by Telkom is to increase the

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- Delivery of basic services i.e. education and health through telecommunications indiscriminate of geographic location.
- Economic empowerment of emerging communities independent of geographic locations.
- Growth of the customer base in order to maintain the growth

momentum in service provision.

● Support local manufacture where economically viable. Telkom has introduced budgetary provision to finance capital expenditure required to provide public telephone services to under-served communities in remote rural locations. This provision was made to fund those projects which are routinely delayed due to not being competitive when considering return on investment.

These projects typically require expensive long lines or radio equipment to provide connection to the nearest exchange. These services are primarily provided with public coin phones, public card phones, chatterboxes or bureau services provided by private operators.

To meet the objectives of the reconstruction and development plan, increased investment for these services will be required for a number of years.

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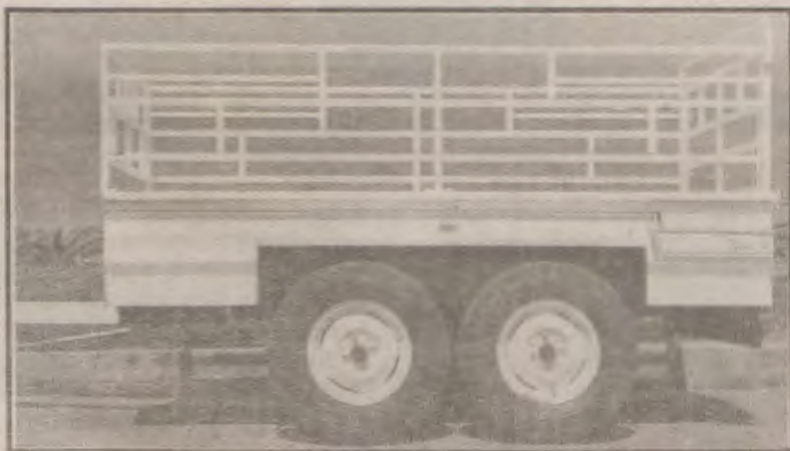


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# Training centre to upgrade

Forum's service initiative.

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transform its East London satellite into a permanent training centre for the Border-Kei region, due to the support received.

In a statement, the ETC said it attributed its success to the ongoing training of skilled instructors who were committed

to developing individual students.

The more than 300 ETC courses, which are accredited by the Department of Labour and a host of relevant industry boards and associations, include:

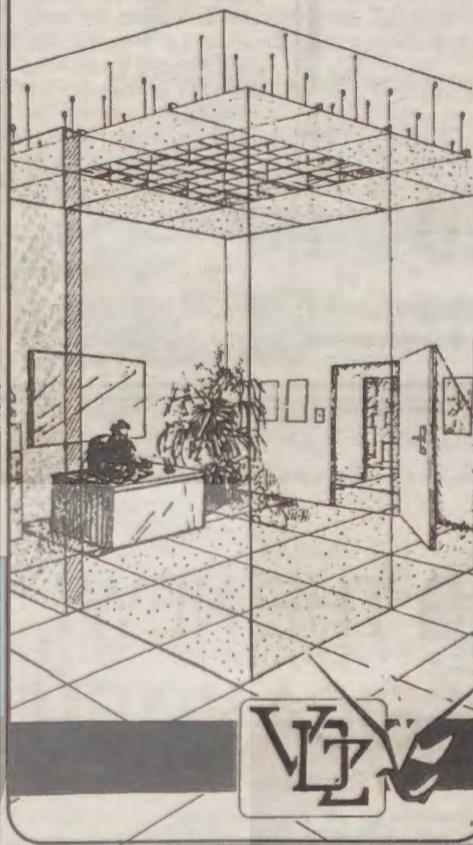
- Management and administration-related courses.
- Recent developments are the telephonist/receptionist course and the storeman and sales/assistant courses;
- Computers: Weekday and Saturday courses offered;
- Technical Skills;
- Security;
- Agriculture;
- Driver and Operator Training: Caters for codes 08 through to 14.

The ETC is awaiting delivery of the Vienna Test System which will be used for trainability testing in order to ensure meaningful training. The service will also be made available to other organisations.

East London will also benefit from a joint venture in which 80 people will

be trained in building and related skills through the National Youth Development

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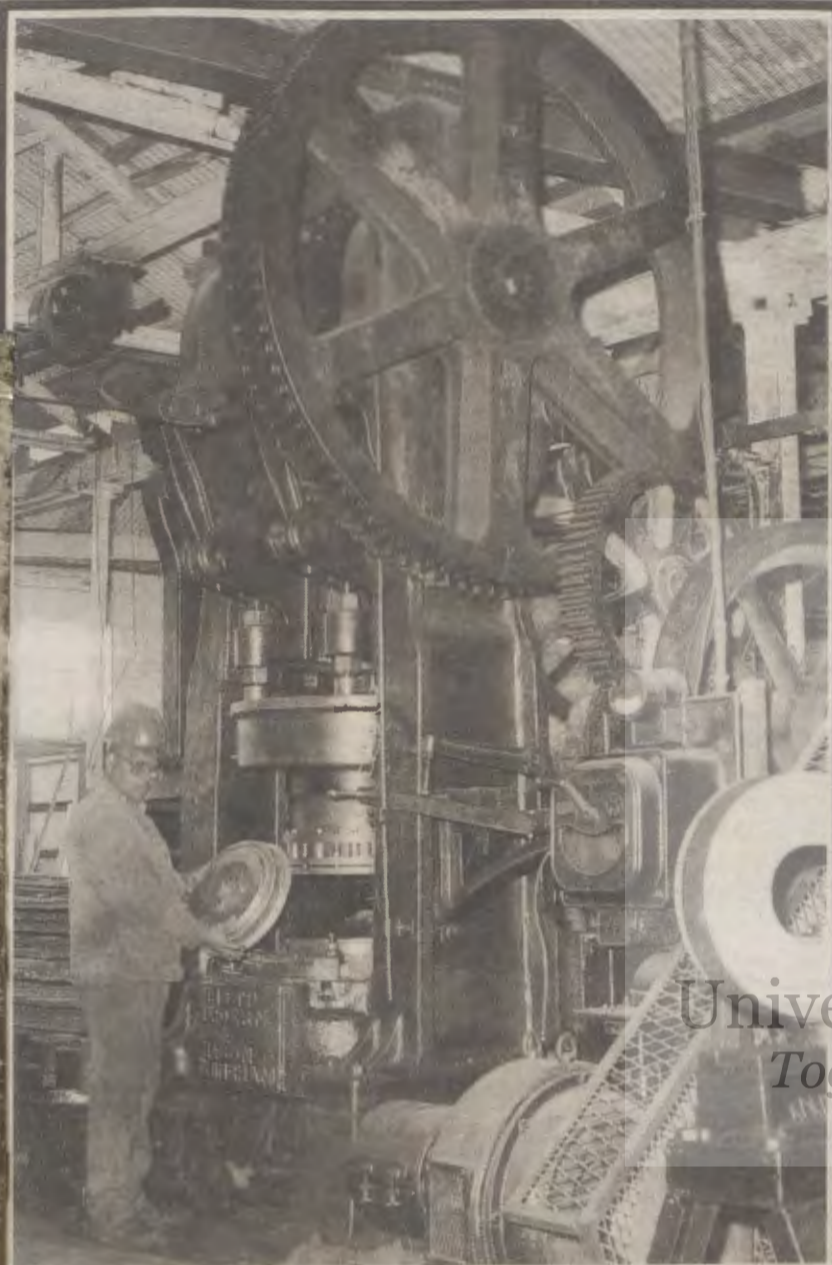
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# Can EPZs revive regional economy?

"CREATION of an Export Processing Zone in East London, or elsewhere in the province, is a strategy, but not the only one," says the economic development co-ordinator of the Border-Kei Development Forum, Mr Jos te Braake.

This might seem a surprising statement for a senior member of the BKDF, under whose auspices the EPZ promoter committee here currently operates.

The committee was created by the Border Metropolitan Development Corporation, (Bomedco) in 1992. Despite the initial burst of enthusiasm, there is still little actual progress to report, provincially, or nationally.

There is general agreement by government, business, and labour on the urgent need to revive the ailing economy, but there is still no consensus on how.

Fuelling the old debate is the alarmingly high rate of unemployment, especially in the Eastern Cape, and advocates of EPZs use this as ammunition.

Namely, that these export enclaves would not only employ labour within demarcated EPZ zones, but also provide work for satellite suppliers of parts and supplies.

The beneficial spin-offs relate to creation of wealth, as more workers are employed, and gain skills in EPZs, to the benefit of the surrounding region.

This is not necessarily so, despite success stories like South Korea and Mauritius, Mr te Braake says, pointing to global experience of EPZs.

Of a couple of hundred EPZs world-wide, only about a quarter have functioned well, showing that they are not always the "right" solution.

Until there is a clear direction from government and the National Economic Forum (NEF), the committee is looking at other options, Mr te Braake says.

What is needed is creation of a climate conducive to export, with promotion of export-orientated manufacturing. This can be done in several ways.

Whether as an EPZ site or not, East London and surroundings can still attract potential investors, because of a developed infrastructure with much to offer.

Favourable tax rates, access to cheap land and raw materials, reduced water and electricity tariffs, and minimal customs "red tape" for EPZ exporters.

Making use of a preliminary study on potential EPZ sites, the EPZ promoter committee has prepared a prospectus, describing attractions of East London, Berlin, Fort Jackson, and Butterworth to would-be investors.

"The focus should not be on East London alone — Port Elizabeth needs to come into the picture, thinking in terms of provincial development," he said.

"In this respect, the BKDF is looking to merge with the Eastern Cape Regional Economic Development Forum, to strengthen provincial investment efforts."

Mr te Braake added that there were six zones within a 100km radius offering investors good facilities, and the challenge was to market these successfully.

The BKDF is presently co-ordinating compilation of a marketing initiative to promote international investment in the province.

The initiative, requested by the first deputy president, Mr Thabo Mbeki, is a 12-page contribution on the province to appear in The South Africa Report, a Corporate Location Report.

This is a British publication which has a circulation of 13 000 readers in North America, Europe and the Far East.

If it is accepted that EPZs should be created in already-developed areas, to minimize starting up costs, East London rates as a top regional contender.

Bomedco helped to create the South African Export Zone Association (Saseza), which, with Gateway Park, Cape Town-based EPZ consultants, completed a preliminary national study of suitable sites for an EPZ last year.

Although the results were not deemed conclusive enough to justify a definite choice, East London and surroundings scored well.

The incentives are here, as the East London municipal development officer, Mr Arie Mijster makes clear: what is needed now, is to inform foreign investors.

"East London qualifies for the maximum state incentives available. The council also offers reduced service charges in Berlin, a good area for large industry."

WHETHER or not Exporting Processing Zones (EPZs) can revive the regional economy still awaits practical testing. Are they likely to be implemented soon? GUY DE MARGNY examines the latest state of play.

"There is interest in setting up a major concern in Berlin, and we might see development there in 1995. There are still 1 000 sq metre sites available."

What unites industrialists and businessmen in East London, the Ciskei and Transkei, is a fear of being left behind by other centres.

"There has been far too much talking about EPZs — there is a danger of the campaign losing its impetus, unless action is taken," says Mr Stewart Dorrington, executive director of the Ciskei Chamber of Industries.

Like Fort Jackson, within his ambit, the Ibeka industrial site at Butterworth is a concern of his Transkei counterpart, Mr Les Holbrook.

Mr Holbrook concedes that, regionally, East London would be first in line for a licence, noting that all the city needs is the "green light" to go ahead. He hopes that in a "phased" introduction of EPZs, Ibeka could be next.

A crucial factor, no matter where EPZs are, is the support of the unions. They remain suspicious of EPZs, fearing them as possible "sweat shops".

It was to try to bring organised labour on board that the EPZ promoter committee later came under the wing of the BKDF, Mr te Braake explained. Business recognizes that it must allay labour's fears of exploitation.

"It must be a 'win-win' situation," says the executive director of the Border Chamber of Business, Mr Errol Spring.

"There must be no exploitation: fair, negotiated working conditions would see to it that all benefited from creation of EPZs," says Mr Spring.

A draft government proposal on EPZs, issued in February 1993, proposed that national health, safety and labour regulations need not apply in the fenced-off EPZs, if all groups concerned agreed.

This is a key issue, because as Mr Peter Ryan, an EPZ expert visiting East London last year pointed out, deregulation could well lead to labour disputes.

The regional secretary of the South African Congress of Trade Unions, Mr Humphrey Maxhegwana, disagrees with Mr te Braake that EPZs are a possibility.

"The best way to create employment, and to rebuild the economy, is by proper implementation of the Reconstruction and Development Programme," he says.

Mr Maxhegwana has thus not changed his earlier stance, but acknowledges that government and business might still eventually opt for EPZs.

A member from the PWV region is going to conduct a workshop here on the EPZ issue, before a regional Cosatu congress on August 20, he said.

"It would be helpful if the region had options ready, prior to the national congress in September. Cosatu needs an investment code, to be uniformly applied in an EPZ, should government and business want to establish one," he added.

The NEF, created in

1992, is where government, business and organised labour debate economic restructuring, but it has no finalised EPZ policy as yet.

How soon EPZs might become a reality depends on agreement between the NEF and government on policy, including aspects like incentives for inves-

tors.

In the post-election period, NEF attention has tended to focus on issues like how South Africa's re-integration into the global economy will impact on trade.

For example, how to cope with dumping — imports of goods lower-priced than in the producer country — now that revised domestic tariffs more in line with the General Agreement on Trade and Tariffs (GATT) are to be phased in.

The NEF favours a level playing field in export incentive policy, with no differentiation between foreign and internal investors.

It is now up to provincial or central government. If they ask for proposals, the BKDF does have some ready, Mr te Braake says. In this respect, as in educational restructuring, the province is amongst the national pacesetters.

It remains to be seen, given continued support for EPZs within the NEF, if they will be the preferred engine for would-be regeneration of the economy.



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# Bringing tax systems into line

by **DAVE MARRS**  
Business Editor

THE REINCORPORATION of the homelands into South Africa has left the new government in a quandry — how to bring often conflicting tax systems into line without causing chaos.

Although it has appointed a committee to advise it on tax matters, the integration of the Transkei-Bophuthatswana-Venda-Ciskei (TBVC) systems is not part of its mandate.

The official position is that integration will take place in phases over time. Until changes are announced the status quo remains, and there has been little indication of the envisaged time-frame.

The trouble is, tax experts warn that the continued existence of a dual tax regime is putting off foreign investors, who would rather commit their funds to areas where there is more certainty.

So, on the face of it, integration should happen sooner rather than later. But some of the surviving companies presently propping up the fragile former homeland economies

would be destroyed if less favourable SA tax rates were to be applied without sufficient warning.

Some would not have invested at all if it were not for the advantageous tax treatment, and the new government is wary of causing company closures and job losses, especially in an ANC stronghold.

To complicate matters further, Inland Revenue has confirmed what many have suspected for years — tax assessments and collections in the homelands are hopelessly behind, partly due to "pressure from certain quarters" for taxes not to be paid to the former government.

In addition, the ousted Ciskei military council, in an attempt to provide some certainty prior to reincorporation, issued a decree with retrospective effect to May 1, 1990, extending the exemption from income tax to some companies for periods of up to seven years.

The computer systems of the various homelands are also incompatible in many cases, and internal procedures have evolved in different directions.

And, the application of different tax systems provides opportunities for tax avoidance and evasion during the inevitable confusion associated with transition.

The Eastern Cape province is worst affected by the issue, having to operate for the foreseeable future with three systems, those of the former Transkei and Ciskei, and South Africa.

For the financial year ending on or after April 1, companies and close corporations pay 35% income tax if situated in the former regions of Border or Eastern Province, the same rate in the former Transkei, and 0% in Ciskei.

The secondary tax on companies (STC) is pegged at 25% in SA but does not apply in Ciskei or Transkei. However, the 5% transition levy — on all taxable income over R50 000 before the deduction of assessed losses brought forward from previous tax years — applies in all three territories, as does Value-Added Tax (VAT) at 14%.

In the case of individuals and trusts, the differences are even more marked. For the

years of assessment ending on February 28 and June 30 next year, the maximum rate of income tax in SA is 43%, compared with 20% in Ciskei and 27% in Transkei, although the 5% transition levy applies in all three.

All citizens of the new Eastern Cape province are obliged to pay 14% VAT on purchases, with some foodstuffs exempted, but only SA and Ciskei taxpayers are taxed on fringe benefits and neither of the former homeland systems feature rebates.

All three tax married women separately, although only SA applies a separate tax rate.

According to Alan Thompson, the partner in charge of Ernst & Young chartered accountants' Border-Kei office, since no STC currently applies in Ciskei or Transkei, companies based there would be well advised to take the opportunity to distribute reserves to shareholders before integration occurs.

"It is interesting to note that the governments of the former Ciskei and Transkei, besides having lower tax rates, also made a considerable attempt

to simplify their tax structures.

"It is true to say that SA is a developed country with a large informal sector and a First World tax structure. Therefore the emphasis of future tax legislation should be weighted towards indirect taxes that are easily collectible."

Mr Thompson said both homelands' tax acts made provision for withholding taxes on dividends, interest and royalties. This meant in effect that the onus for paying the tax over to Revenue rested with the entity paying out the money, and not the individual receiving the income.

"Taking into account the fact that it is by and large the corporations and companies with more sophisticated accounting systems that pay out dividends, interest and royalties, this form of taxation makes good sense.

"Individuals are not required to include such income in their returns, so those who receive most of the yearly income by way of investments are not required to go through the tedious formality of completing a tax return," Mr Thompson said.



**ALAN THOMPSON** ... "the emphasis of future tax legislation should be weighted towards indirect taxes that are easily collectible."

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## Keeping up with the taxman

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THE EASTERN Cape's unique situation of three separate tax acts in force over a relatively small geographical area — has allowed some taxpayers to minimise their tax by splitting their income.

The audit and tax manager at Ernst & Young's Border-Kei office, Tony Barrett, who was formerly deputy director of the local office of the Receiver, says many of these schemes were the result of "aggressive tax planning" and "sail very close to the edge of legality".

He advises both businesses and individual taxpayers to get their houses in order as soon as possible, before the tax systems are integrated. "Taxpayers in the former Ciskei and Transkei have, relatively speaking, not been subjected to the same degree of tax audits and tax inspections as their South African counterparts.

"Rationalisation of the relevant tax structures will hopefully ensure that the playing fields are levelled."

Mr Barrett says in terms of Section 76 of the SA Income Tax Act, penalties of 200% may be levied by Revenue on all additional assessments raised. Taxpayers may also be charged interest on all taxes and penalties owing, depending on the time scale involved.

So, a confrontation with the Receiver can become an extremely expensive encounter, and one that is best avoided. It is also a good idea to maintain adequate records to substantiate your income and expenditure, he says, since the onus of proof with regard to

whether an amount is taxable or an expense deductible, rests squarely with the taxpayer.

● Where possible, keep records from an independent source, such as purchase invoices and statements.

● In the case of internally generated sales, ensure that there is a clear and accurate audit trail available for checking.

● In respect of wages of salaries, ensure that all details of employees appear in a register and that they sign for their wages.

Mr Barrett says it is important to keep business and private affairs separate. "Generally speaking, only expenditure actually incurred in the production of taxable income is allowed as a deduction for tax. To avoid confusion and consequent errors, ensure that all your private expenditure is separately identifiable.

"Should extensive business trips be undertaken or entertainment expenses be incurred, ensure that adequate documentation is obtained to verify the authenticity of the trip."

And, he warns that tax law is a highly complex field of expertise that is constantly changing, so it is virtually impossible for the layman to keep up. "Don't be penny wise and pound foolish. Consult a specialist tax consultant to plan, advise and monitor your business.

"Keep your tax consultant updated with any change in the status of your business, seek his advice while still in the planning stage of any proposed new development, and

don't lump him with the problem once it is a fait accompli.

"Heed the advice of your tax consultant,

even if it is sometimes a bitter pill to swallow — it's probably still sweeter than a 200% penalty lumped on top!"



**TONY BARRETT** ... "Heed the advice of your tax consultant."

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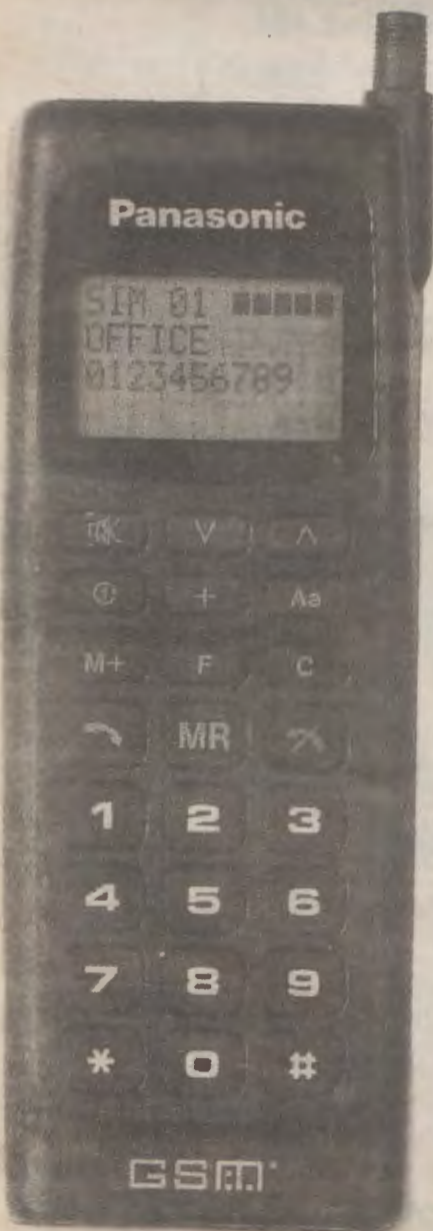
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# Capital issue holds up plans



An Umtata-based computer company has put plans to extend beyond Transkei on hold pending the finalising of the Eastern Cape capital.

By LUCAS MATI

As soon as the issue is settled, Topaz wants to open branches in Bisho, where most government offices are situated and where Mr Nkola believes the tender board offices will be housed.

He says Topaz is ready to compete with the more than 30 computer companies operating in East London and Port Elizabeth.

To do so, Topaz would import computer components from abroad.

The company is already exploring business ties with manufacturers in Japan, Hong Kong, Taiwan and Singapore.

Topaz's staff complement of 10 would increase with an expansion of the business.

Mr Nkola says the company was formed in response to the urgent demand in Umtata for another retail outlet in computers and business equipment to serve the growing business class.

The company's strategic plan was to provide quality computers and business equipment while permitting the business' proprietor to achieve personal and financial independence.

Over its planning period the company had achieved or exceeded an average 40 per cent annual growth rate in revenues and in operating income of 33 per cent.

The proprietor had re-invested in the business the major portion of earnings and the rest had been used to reduce indebtedness.

No drawings were allowed during the planning period.

An overdraft of R70 000 was raised, but no additional financing was sought during the planning period after the overdraft because cash flowed from the operations was sufficient to finance the project growth.

Mr Nkola said the products of the business were meant to serve the production needs of established industries, financial institutions, government establishment, private and public offices and the general public as a whole.

Coming to the company's business strategy, he said his business had adopted a low cost strategy which was fully satisfied by

standardised products.

"The basis for competitive advantage was a confirmation of lowering costs than competitors in serving the market," he said.

Topaz's staff complement of 10 would be increased when branches are opened in East London and Port Elizabeth. Mr Nkola said he had witnessed a tremendous improvement since starting the company in 1991.

"We started as a small office, but now we have a space three times bigger than the previous office," he said.

He added that the Circus Triangle, where Topaz office was located, was the largest shopping complex in the former Transkei.

He said they had changed their office layout in order to fit the standard of the Circus Triangle and increased their stock by R200 000.

With the profit made by Topaz, Mr Nkola said, he and other business partners, signed a two-year contract with the

former Transkei Government for the manufacturing of furniture for schools in the region.

He said his Vulindlela Furniture Factory had secured a contract of supplying school furniture to Umtata, Mqanduli, Willovale, Elliotdale, Butterworth, Centane, Idutywa and Ngqeleni.

Apart from owning Topaz and Vulindlela Furniture Factory, Mr Nkola also owns a paraffin and diesel distribution depot and he was optimistic of changes to expand his business connections.

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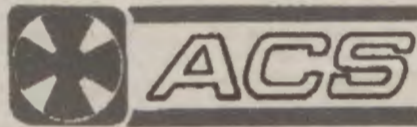
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The managing director of Summer Pride Foods, Andrew Röth.

# Eastern Cape hits pineapple crisis

THE INDUSTRY is situated exclusively in the Eastern Cape and its three canneries — Summerpride Foods, Sunny South Canners and Collondale Cannery — passed completely into local hands at the end of last year. The nature of and conditions needed for pineapple farming are well-suited to boost the region's disadvantaged rural areas, particularly in the former Transkei and Ciskei.

THE EASTERN Cape could lose more than R24m a year if the importation of cheap canned pineapples is not curbed. The local pineapple industry is unable to fight the foreign competition because it is still subject to unfair duty disadvantages in the European Union countries to which it exports 90 per cent of its canned fruit, concentrate and juices. But the industry, which earns R140 million a year in foreign exchange for the Eastern Cape, has crucial untold potential to create wealth and jobs in the region and therefore a vital role to play in the RDP.

TANIA LEVY reports.

The managing director of Sunny South, Mr Wes Tiedt, says the deal enabled the company, which is more than 30 years old, to remain in its market and retain jobs.

Workers' shareholding will be placed in a trust, still to be formed in collaboration with the Food and Allied Workers Union, and trustees will appoint a workers' representative to the Sunny South board. The trust will also decide how to spend a R100 000 grant for training from the DBSA.

Mr Tiedt says the deal has improved workers' sense of involvement and ownership, enhancing relations at the cannery.

In the longer term workers will benefit directly from any dividends earned by Sunny South.

Following closely on the heels of the handover at Sunny South more than 60 private growers took over the cannery from Langeberg Foods and Summerpride Foods came into being in January.

The cannery's fixed assets were acquired in exchange for the farmers' waiving their fruit contracts with Langeberg. In addition, farmers invested more than R10 million together with an Industrial Development Corporation loan to be used as working capital.

The managing director of Summerpride, Mr Andrew Roth, says the company will bring out its own label this month, and continue canning pineapples for local and foreign clients. It aims to break even in the current financial year, after a R6 million loss prompted Langeberg's pull-out last year.

Mr Roth says the change to local ownership has improved efficiency and allowed streamlining of production and management. Salaried staff have been cut to 60 while permanent weekly paid workers have been reduced to a single shift of 500.

Salaried and weekly paid employees have foregone their bonuses.

Mr Roth and Mr Tiedt agree there are distinct advantages to having cut ties with their large owners outside the region.

There is better control of creditors and debtors, salaries and wages, and the local canneries are no longer subsidising the large overheads of national head offices, Mr Roth says.

Mr Tiedt says they have been freed to manage their business outside the constraints of a corporate structure and all money earned will be ploughed back into the Eastern Cape.

The canneries employ 1 600 workers and produce two million cases of canned pineapples and 7 000 tons of pineapple concentrate a year, garnering about six per cent of the international market.

A further 4 500 people work on the 88 pineapple farms, situated along the coastal belt between Alexandria and Kei Mouth, where 153 000 tons of fruit are currently grown for canning.

The output has declined sharply from peak production of 250 000 tons of pineapple in 1986/7 and just meeting the 90 000 surplus capacity could create an extra 400 jobs at existing canneries, Pineapple Growers Association chairman, Mr Wouter le Roux, says.

A further 300 jobs could be created in the former Ciskei's Peddie area alone, which has been only 50 per cent developed by emerging disadvantaged growers under the umbrella of Ulimocor, its regional manager, Mr Rory Gailey, says.

He says new farms and canneries, and with them more jobs, should be developed elsewhere in the for-

mer Ciskei and in the Transkei, where suitable land is available, the rainfall good and the need for an economic kickstart great.

A six-member working group, including a provincial government representative, was formed last month in order to address the problems facing the industry and to ensure it fulfils its potential in the region.

The chairman of the Pineapple Growers Association, Mr Wouter le Roux, says the group met Department of Agriculture and Board of Tariffs and Trade representatives in Pretoria at the beginning of August to highlight the growing threat being posed by cheap imported canned pineapples from Thailand, the Philippines and Kenya.

The foreign pineapples are being imported into South Africa, mainly by Del Monte Foods and Langeberg Foods. This undermines the local industry as a supplier for canned fruit mix and the imports have started appearing unchanged on local shop shelves, he says.

In an attempt to stop further imports this year, the working group asked government to urgently revoke import permits granted without consulting the local industry and to close loopholes in the permit system.

A working group member and financial manager at Summerpride Foods, Mr Lance Chandler, says the local industry would be able to compete

with subsidised foreign imports if the international playing field was level.

Importers into South Africa pay a scant five per cent duty. But local canners currently pay duties in excess of 20 per cent when exporting to the EU, where Kenya does not pay any duties at all.

International market leader and price-setter, Thailand, is subjected to duties of 12 to 15 per cent in some EU countries.

The local industry suffers this crippling duty disadvantage because pineapples are lumped together with other South African agricultural products which were treated as coming from a developed nation, Mr Gailey says.

But canned pineapples are unique to the Eastern Cape and if the region was considered separately, the EU could classify it as a third world developing nation, exempt from import duties, he says.

In addition, South African canned pineapple exports pose no threat because the fruit is not grown anywhere in Europe.

Mr Le Roux says the working group plans to appeal for central government intervention to get the EU to lower the duties as far as possible to give the local pineapple industry a fighting chance.

He says the working group will also renew unanswered pleas to government for financial assistance after suffering serious losses during sanctions, years of drought and the dropping of world prices due to dumping by Thailand.

He says farmers and employees exhausted remaining resources by investing more than R50 million to ensure the industry's survival when major nationals, Langeberg Foods and Appletiser, pulled out of the region at the end of last year.

In November, the staff of Sunny South took over the Kidd's Beach cannery from SA Breweries' subsidiary, Appletiser, in a deal made possible by a R3,1m loan from the Development Bank of Southern Africa. The condition was that 40 per cent of the shareholding be given to weekly paid workers. The other 60 per cent is held by management.

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# East London's port passes export milestone

THE PORT of East London passed a milestone in July when 1 million tons of maize was exported.

Regarding it as the first step towards a revitalised export programme, the port immediately set itself the goal to push for the 2 000 000 tons export mark.

The maize export feat was even more remarkable when taken into account that the 1 million mark was reached in under six months, with port traffic exceptionally heavy during May and June.

## Rich year for port

Although the maize export outstripped other achievements, it has been a rich and eventful year for the Port of East London and some lesser milestones had also been reached.

On July 13, activities in the port showed a remarkable upswing when nine ships, the largest number since 1988, visited the harbour, while a tenth waited in the roadstead.

In the changing South Africa, experts in the field of shipping have expressed the belief that coastal shipping could become increasingly more competitive under a government which may prioritise housing and education over the building and maintenance of roads.

In this exciting new era, such a development could only benefit the small, but increasingly active port of East London.

ELIZE GOUSSARD reports.

Four ships loaded maize, one offloaded wheat while others offloaded petroleum products and fertiliser.

## Boost for infrastructure

A bunker oil fuel pipeline, set to become operational this month, to serve incoming ships will be a boost for the port's infrastructure promising an upswing in port traffic and a stimulation for the city's economy.

In February history of another kind was made when a ship was renamed for the first time in the Port of East London.

The ship, a coastal

vessel from Unicorn shipping line, changed her name from Metz Espana to Sezela.

## Load sets national record

Last year in September, the port set a national record when 8 320 tons of ferrous scrap metal was loaded at an average of 3 330 tons per 24 hours.

These achievements could only point towards an exciting future for the Port of East London.

Situated on the Buffalo River which distinguishes it as the only river port in South Africa, the port is an important import, export and coastal feeder port, and serves as the gateway to the Border/Kei region of the Eastern Cape.

## Grain facilities

Offering an extensive bulk handling facility for grain, the grain elevator with shipping gallery at T berth is designed to handle free-flowing grain products and has a storage capacity of 76 000 tons.

It boasts an intake capacity of 1 140 tons per hour via three intake belts and a shipping capacity of 1 633 tons per hour through four spouts.

Facilities exist in the bagging store for the bagging of grain for export to ports which cannot handle grain in bulk, and the bagging out rate can reach 42 tons per hour using two machines.

## No immediate plans to expand

Although grain exports have resulted in increased harbour traffic and activity, the port is still underuti-

lised and there are no immediate plans to expand as the infrastructure is sufficient to cope with current demand.

An immediate upsurge in port activity is not foreseen but a slow growth rate taking place over a couple of years is expected.

With South Africa's wheat crops falling short of demand this year due to drought conditions, the country will have to import wheat.

## Shipments

A small shipment has already passed through the Port of East London two weeks ago, but port authorities are uncertain when, or if, a further consignment could be expected.

The port can accommodate vessels up to a maximum length of 245 metres and a draft of 10 metres.

There is no beam (breadth) restriction.

Vessels in excess of 10 metres up to a maximum draft of 10,40 metres may, under certain circumstances be handled subject to prior arrangements with the port captain.

The tanker berth can accommodate vessels up to a maximum length of 204,20 metres and a draft of 9,90 metres.

Loaded tankers are only handled during daylight hours.

## Ship repair facilities

An added facility is the Princess Elizabeth graving dock, which offers ship repair facilities and can be emptied in four hours, with an overall docking

length of 200 metres.

Improved use of the drydock would result in handsome spin-offs for the city, as repairs are mostly carried out by private business concerns.

Up to July this year, 212 vessels called at the port, and with another six months to boost statistics last year's total of 338 vessels might well be passed.

What is sure is that an upswing in the port's activities can only benefit the city for it acts as a barometer to indicate the state of the economy.

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## Credits

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It was edited and compiled by features editor Ines Watson, Victoria Marais, Gayle Williamson and Rose Saunders.

It was co-ordinated by news editor Andrew Austin and business editor Dave Marrs and written by Daily Dispatch reporters.

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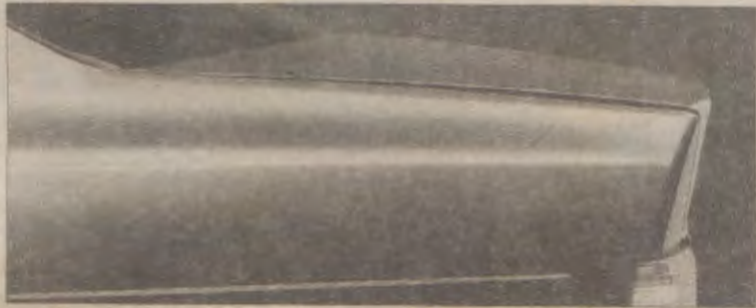
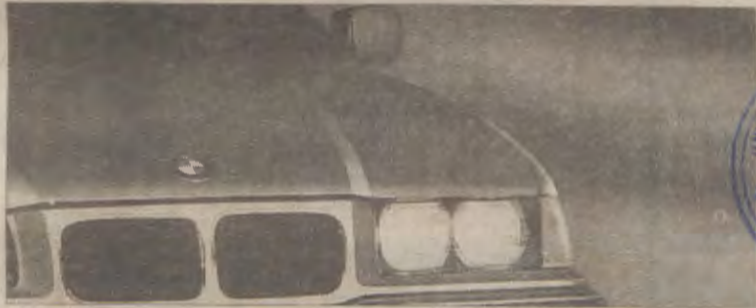
Sea birds enjoy soaking up the sun, while keeping an eye on the activity in the East London harbour.

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