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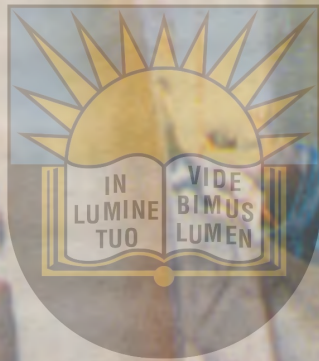
Daily Dispatch  
Industrial Review  
Durban  
1993

# Industrial Review

THE BORDER-KEI  
IN 1993



A DISPATCH MEDIA  
PUBLICATION



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The **INDUSTRIAL REVIEW**, an annual supplement to the Daily Dispatch, is a record of the progress, new developments, opinions and expectations in industry in the Border, Eastern Cape, Ciskei and Transkei.

This review was edited and compiled by Ines Watson (Features Editor), Victoria Marais and Rose Saunders.

It was co-ordinated by Andrew Austin (News Editor) and David Marrs (Business Editor).

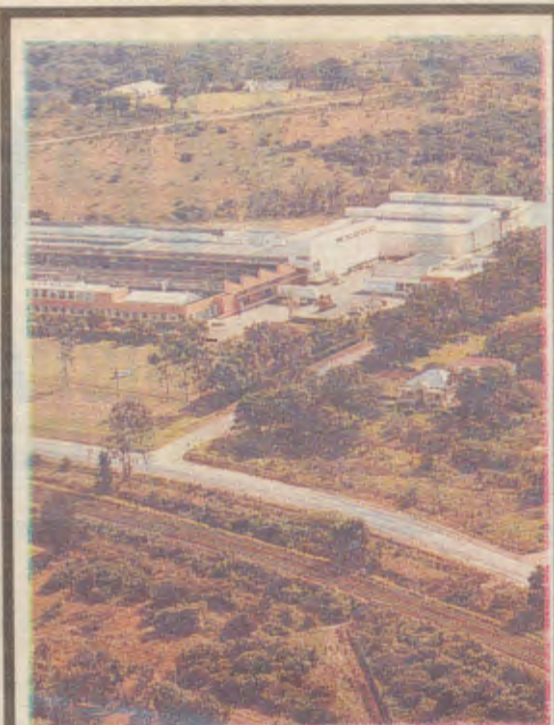
Reports are by Andrew Trench, Elize Goussard, Mthobeli Mxotwa, Gillian Blacklaws, Ross Colvin, Colin Kennedy, Itu Gush, Tanya Jonker, Tricia Abbott, Heather Kopp, Mkhululi Bolo, George Galanakis and Yvonne Marshall.

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The front page photograph by Rob Melin is in recognition of the river that was responsible for the birth and subsequent growth of East London. Tino Abelgas is carrying out repair work on the Widar in the East London harbour dry dock.



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# Johnson & Johnson face up to tough future challenges

Johnson & Johnson has been in South Africa for more than 60 years and, with the exception of a short period in the mid 1980s when they located their head office in Johannesburg, East London has been their home base.

Recently Johnson & Johnson acquired a new managing director in Mike Harvey who, in turn, was returning to East London having spent the last four and a half years in North Africa

managing a sister J & J company.

When asked his views on the South African economy Mike said:

"Johnson & Johnson, in line with many other companies, assumed before the start of the current year that 1993 would see a turn around in the economic cycle. During the first three months our sales were very encouraging with good growth over prior years.

"Unfortunately this situation did not continue during the second quarter, no doubt affected by the assassination of Chris Hani and the turmoil which followed. Our prognosis for the balance of the year is not encouraging, and at best, we will achieve results similar to 1992.

"One of the major challenges we face is the fact that our present structures were developed during the 60s and 70s when the economy was extremely buoyant.

"South Africa faced the threat of isolation and consequently we were encouraged to develop vertically in order to guarantee supplies of key components. Consequently today we have some cost structures which are not only outdated, but add unnecessary costs which regrettably, end up being passed on to our customers.

"Throughout the world consumers are becoming much more demanding and require not only export

quality products but insist these are available at competitive prices.

"Many companies, and we are no exception, will need to become much more efficient in the use of all our resources if we are to remain competitive and satisfy these requirements.

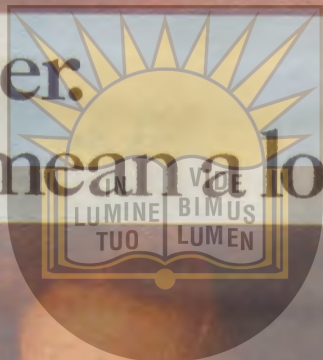
"The challenge is making this happen in a constructive way without further damaging a very fragile economy. With the demographic changes taking place here, never has there been a greater need to create employment, but in reality companies are being forced to cut back in order to survive.

"As South Africa gradually re-establishes its credentials in the outside world, pressure is being applied to reduce duties and taxes on imported products. This will add further pressure on local manufacturers to produce more efficiently.

"Eventually all these short term negative pressures will have beneficial side effects and those companies which face up to the challenge and adapt will, in due course, reap the benefits.

"It is our intention to be one of those companies and at the time of Johnson & Johnson's centenary in South Africa the managing director of the day will, I am sure, be able to speak to the Daily Dispatch in a much more upbeat fashion."

## Johnson's Baby Powder: Because little things mean a lot.

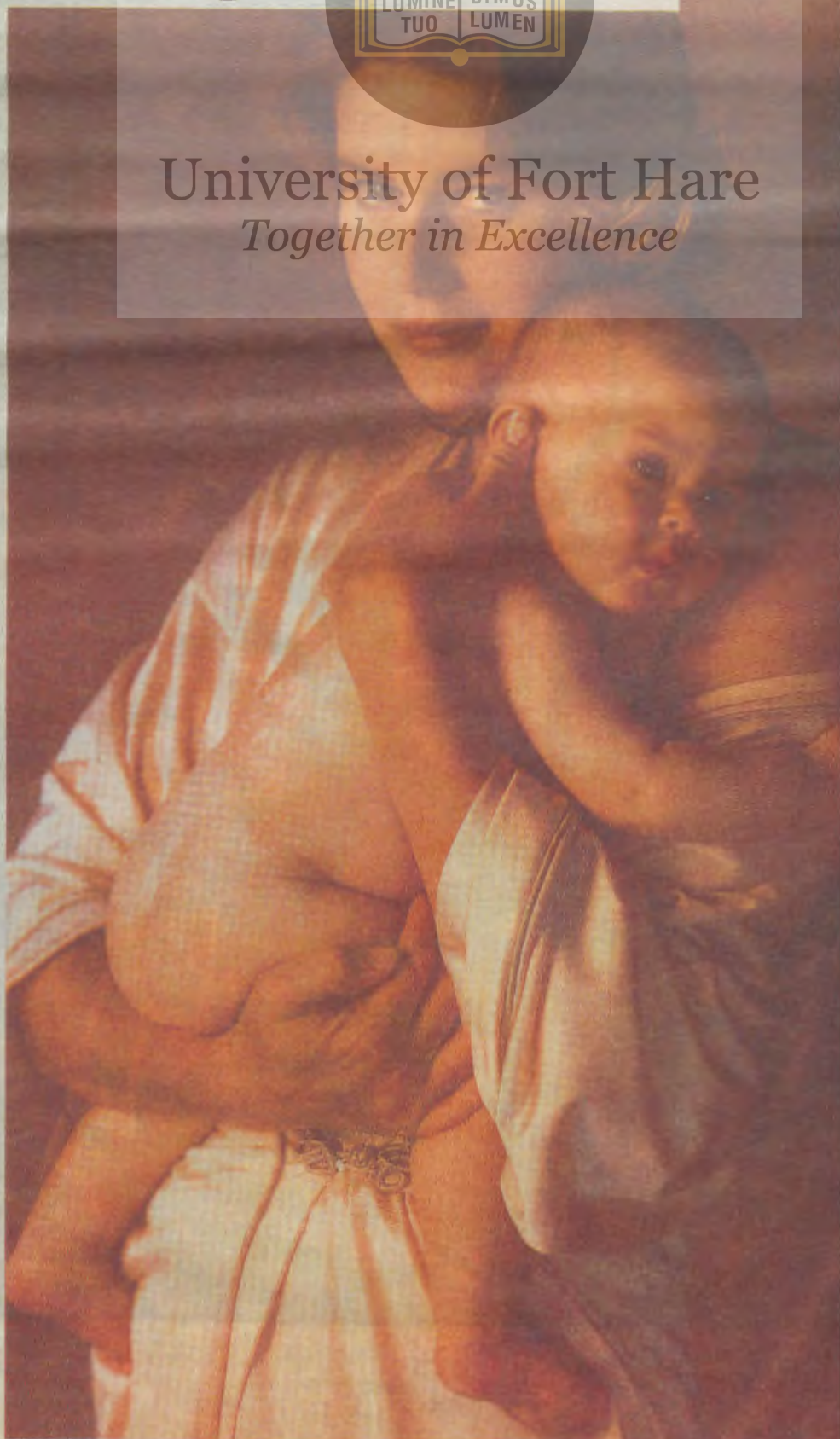


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The new managing director Mike Harvey

# Healing hand calms politics of discord

It has been a violent year.

Twenty-eight people died by Ciskei Defence Force guns in Bisho last September, others were slaughtered in attacks by the Azanian People's Liberation Army, ANC members have been killed, Ciskei Government loyalists have died, and as the bloodshed continued innocent travellers in Transkei were gunned down.

**Region of conflict**  
The region has been faced with unprecedented conflict overshadowing the poverty and unemployment crises and which has presented an image to the rest of South Africa of a region sinking steadily into chaos.

But more than at any other time there is optimism that the Transkei and Ciskei homelands will be reincorporated soon, signalling the end to over a decade of the politics of division and the beginning of one which will hopefully embrace unity.

While the debate over the future geographic make-up of this region vacillates between the Border/Ciskei/Transkei region standing on its own or being lumped with the Eastern Cape, there is knowledge, that in the short term at least, things can only change for the better.

**End to violence**  
Top priority in the region is ending political violence — violence which has shattered investor confidence and the economy and which has spawned aggressive political activity embodied in work stayaways and consumer boycotts.

The key to violence in the region is the homelands where, in Ciskei especially, the conflict has been dominated by fighting between the ANC-supporting majority and government loyalists.

While there are no guiltless parties to this conflict, regional observers agree that the military rule of Ciskei's Brigadier Oupa Gqozo, whose fight for survival has seen him move steadily to the right-wing camp in recent months, is a catalyst.

In Transkei the picture has been somewhat different. Seen by the South African Government as a sanctuary for Azanian People's Liberation Army cadres responsible for attacks against whites in the region, the "ring of

steel" thrown up around the homeland by the South African Defence Force did little to promote the region.

**Colony of criminals**  
With the impression of one South African policeman, as a "colony of criminals" it is essential for regional stability that both homelands are reincorporated to allow for effective policing, or at least an end to perceptions of a growing anarchy.

However, with Transkei ruler Major-General Bantu Holomisa's deep-seated mistrust of Pretoria, he is resisting reincorporation into a South Africa which retains any trace of the National Party government.

While traditionally a solid ANC ally, he is emerging as a potential wild-card in that camp. Take for instance his opposition to the ANC's regional proposal to unite Border, Ciskei and Transkei with the Eastern Cape.

The debate over the future geography of the region has surfaced as the dominant issue.

So vociferous has opposition to Eastern Cape/Border-Kei unity been, that the National Party has quietly shelved its proposal on those lines and now advocates its other position for two separate regions.

Ironically the ANC has back-pedalled on two separate regions and is now hedging for a united Eastern Cape/Border Kei — a move that would seem to be to its detriment in making one stronghold region out of a guaranteed two.

The Democratic Party is pushing for a similar model to that of Transkei, as is the Ciskei government, although it opposes amalgamation with Transkei. The PAC still advocates a unitary state.

**Seeds of hope**  
However, it is within this debate that the seeds of hope for the region have been sown.

National Party Member of Parliament for King William's Town, Mr Ray Radue, says: "If the people of the Border Kei region work together as a team, bring stability to the labour force and show the outside world that we can live in peace and clean up the region there lies a prosperous future for us all."

**The Border Kei region bears the wounds of a political battlefield but slowly the wounds are turning to scars. Few doubt they will take time to heal, but there is optimism that heal they will.**

**ANDREW TRENCH reports.**

Looking ahead, ANC Border vice-president Mr Andrew Hendricks says: "Division in the region will be corrected. The strategies of apartheid ensured their puppets became rulers and therefore not even in apartheid terms was there an attempt to ensure good government."

omic viability in the region itself and by including the Eastern Cape that it is brought to the region," he says.

Mr Radue argues the first solution to the region's problems lies in a reversal of past policy.

"That is bring the government of the re-

of the necessary attention it will enjoy.

"Our view is that industrialists positioned here are in a good place to take advantage of the upswing," he adds.

**New energy for reconstruction**  
He stressed that the same energy used to "bring down apartheid" would be used in reconstructing the region.

The realisation of this message is what industrialists here would be relieved to see. They have borne the brunt of political struggle in the form of consumer boycotts and stayaways, which have been disastrous to the embattled regional economy.

But even against this background co-operation has grown between the ANC-led alliance in the region and progressive business in the form of the Border Business Action Committee (BBAC) — another indication that those who remain here are willing to stay and be part of healing the wounds.

The effects of the warming between these two groups cannot be underestimated. On one hand it has helped break down the image of business as an enemy of the people and on the other has moved business from the wings into the political centre stage.

**Brink of a wasteland**  
But, regardless of the reasons, these initiatives are shaping the future of the region, and have the potential to haul us from the brink of a wasteland.

And while the wounds of the political



Mr Ray Radue ... "there lies a prosperous future for us all."

The end of the homelands will release for development the billions of Rands that have been poured into homeland governments. It can be anticipated that for once there will be a focus on channelling money where it is needed rather than sustaining the existence of a cumbersome bureaucracy.

**A piece of the pie**  
Mr Hendricks insists an amalgamation with the Eastern Cape will be to the greatest advantage of the region.

He argues that the industrial base of the Border Kei region is low and that this would change with the inclusion of the Eastern Cape and its industrial centre of Port Elizabeth/Uitenhage.

The region will be just one of many queuing for a slice from the central fiscus and joined together with the Eastern Cape, the region could justifiably demand a greater piece of the pie, he says.

"And while we believe we will get a bigger slice of the cake, that will not be sufficient, in our view, to make up for the backlogs in the region. Therefore it is important to ensure there is some inherent econ-



battle may still be evident it appears the politics of discord have been discarded in favour of the healing hand.

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A road in Gomo tarred by the Amatola Regional Services Council as part of the neighbourhood upgrading exercise

## Improving everyone's lives

By ELIZE GOUSSARD

The jurisdiction of the Amatola Regional Services Council (ARSC) covers an area of approximately 6 800 square kilometres which houses a rural population of 156 972.

Its 22 councillors are nominated from the municipalities and other government institutions falling within this area, and funds for projects are derived from levies imposed on businesses.

In cases where the RSC acts as agent for the Cape Provincial Administration (CPA) for functions such as roads, health and ambulance services, it receives additional funds from the CPA.

The council also provides administration services for the Kaffrarian Rural Council and the Amatola Coastal Local Council, which acts as the mouthpiece for eight major coastal resorts.

The council's roads department maintains

a 2 985 km network of main, divisional and minor roads. In addition to six established clinics, 13 mobile clinics provide comprehensive primary health care and family planning services in rural areas.

The regional ambulance service operates a fleet of 43 vehicles including 26 ambulances and three rescue vehicles. During July 1992 to May 1993 46 788 calls for assistance were received and 41 831 patients were transported over a distance of 1 514 495 km.

The council regards civil protection as one of its most important functions and has established a radio communication network between rural residents and emergency services.

The RSC also keeps a watchful eye over the quality of milk produced at 130 dairies in the region, and is shortly to assume responsibility for moni-

toring raw meat entering the region under its jurisdiction.

Urbanisation programmes also receive high priority at the RSC with a council decision to approach the Development Bank of South Africa for a loan of R42 million to assist various authorities with urbanisation projects.

Major projects, which must include the provision and upgrading of infrastructure to maintain and improve the socio-economic situation of less privileged communities, include:

The upgrading of the infrastructure (R2 470 600) and the electrification (R1 320 638) at Gomo Neighbourhood 3, and services to C-section (R6 000 000), Mzam'ohle at Gonubie sports facilities, extension to community centre and taxi rank (R650 000) and developing the airport informal settlement (R3 500 000).



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# Queenstown urged to be positive about progress

No further industrial expansion is foreseen in Queenstown in the short term, and the town council is concentrating its efforts on commercial growth, with considerable success.

However, even in this sphere, most investors are adopting a wait-and-see attitude in the light of political uncertainty in the country.

This was confirmed by the mayor and holder of the council's industrial portfolio, Mr Johnny Johnson, who said the council was negotiating big commercial expansion proposals, but many developers shied away from actually signing on the dotted line.

"In several instances it was all systems go, then breaks occurred in the national negotiating process, which had a ripple effect right down to local level, resulting in our plans being put on hold."

When asked about the long-awaited casino project earmarked for a site on the Transkei-SA border in the Bongolo Ba-

sin near Queenstown, Mr Johnson said it was typical of development affected by on-off peace negotiations.

"Fortunately, the door has not been closed and I remain optimistic about the outcome."

Referring to the local industrial area, Queendustria, Mr Johnson said all that was likely to happen there had already taken place.

"The government killed industrial expansion when it withdrew concessions and incentives, which were never sufficiently attractive anyway. Although we have all the infrastructure necessary for industry we need a bigger, more attractive drawcard to entice industrialists to the town."

"With industrial expansion in the doldrums this does not



Mr Johnny Johnson

seem possible, so the town council has turned its attention to commercial growth to give the town's economy a boost."

Eighteen industries had established in Queendustria since 1976, with Baldwins Steel and State Line Pressed Metal the biggest operations. Serviced and unserviced

By YVONNE MARSHALL

erven were still available in the area.

Mr Johnson said ills which had dogged industrial development were not foreign to Queenstown. Escalating violence, boycotts and the country's poor economy were factors that had killed industrial expansion countrywide.

Returning to commercial expansion, Mr Johnson said a major complex was to be built on a portion of the vacant erf next to the town hall, and several other large developments were in the pipeline.

The mayor remarked on the negative attitude of many townspeople to progress.

He said red tape that had to be overcome to get development going was frustrating enough

without residents lodging usually trifling objections to proposals.

"In addition to hindering progress, delays often sent the cost of projects soaring and we can't seem get this through to people."

To facilitate business operations the council was building mid-block roads on both sides of the main thoroughfare, Cathcart Road, opening up opportunities either for new enterprises or for property owners to extend businesses.

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## eZibeleni industry aims to attract overseas investors

Despite the economic downswing the Transkei Development Corporation (TDC) is optimistic about attracting five overseas industrialists and two community-based projects to its third industrial growth point at eZibeleni, bordering Queenstown.

The TDC's western regional manager, Mr Lawrence Hlalukana, said because the economy of homelands was dependent on South Africa's economy, the downswing had generally strained industry's financial viability.

However, only one eZibeleni industry had closed due to the re-

vision of labour and transport incentives.

He said eZibeleni was centrally situated to all major centres with excellent road, air and sea links and an abundant labour force to meet industrial requirements.

The eZibeleni growth point had 14 occupied sites accommodating furniture, clothing, shoes, roofing, cattle feed and sporting goods manufacturers. Five vacant premises were earmarked for overseas entrepreneurs presently con-

sidering investment in the area.

Efforts to attract investors were constantly explored by the corporation, which had poured R18-million into the establishment of eZibeleni's industrial area.

Incentives offered were relocation expenses with a ceiling of R1m, an establishment incentive grant for the first two years and profit-based incentives for the third to fifth year of establishment. In addition, new industries at eZi-

beleni enjoyed a 12-month rent-free benefit.

The TDC purchased modern homes in Queenstown to accommodate industrialists, some of whom enjoyed loans at well below current interest rates.

Mr Hlalukana said the area was earmarked as an Export Processing Zone (EPZ) and it was envisaged that once the democratic process was finalised and a unitary state was in place, eZibeleni industries would perhaps join the neighbouring Queendustria factories in nearby Queenstown.

See also page 7

By YVONNE MARSHALL

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# Industry experiences cold shudder

The programme had been a much-needed shot in the arm for an economically depressed region, drawing many businesses with lucrative incentives, including low interest rates and labour and wage allowances, as well as a rail subsidy to compensate for the area's isolation from the major markets.

And it worked — a recent study showed that 52 per cent of the industries in East London were decentralised firms, while 20

per cent indicated that they would not have settled in the area without state assistance.

In addition, a further 24 per cent of companies received state assistance to extend their plants.

"Many industries felt let down because the incentives offered were the main reason they had established themselves in this region," the economic development co-ordinator for the Border-Kei Development Fo-

rum (BKDF), Mr Jos te Braake, said.

When the government decided in May 1991 to start phasing out its decentralisation programme, industry in the Border region experienced what amounted to a cold shudder. **TANYA JONKER reports.**

rum (BKDF), Mr Jos te Braake, said.

"And the timing of the termination of the programme was terrible due to the prolonged recession. A large number of companies will be affected.

"In some cases industries will decide to relocate, or may decide to do further ex-

pansions elsewhere. This will be a big loss to the region."

The executive director of the Border Chamber of Business (BCOB), Mr Errol Spring, agrees.

"To phase out these incentives in the present economic climate complicates efforts to stabilise the regional economy," he said.

The official reason for discarding the old incentive system is to phase out artificially-created growth points, which have proved to be an economic burden, and to rely on free market forces to bolster companies that are operating on sound business principles.

"Instead of trying to establish industry in remote places for which there is no economic justification, the emphasis now will be on economic criteria," Mr Te Braake said.

There seems little doubt, however, that the fragile economy of the Border-Kei region will be wounded by these cuts, as many companies drawn to this area by specific concessions will leave once they are suspended.

Accordingly, a recent survey of 36 East London companies showed that 25 per cent were seriously considering relocation.

Both the BCOB and the BKDF have appealed to the government to grant blanket extensions to allow local industry to adjust in such a way as to gain maximum advantage of the new incentive packages being introduced.

"We wanted an extension of another two

or three years, but unfortunately we were not able to persuade them.

"They have, however, agreed to look at individual applications," Mr Spring said.

The new five-year package starts off with cash grants during the first two years, allowing for initial establishment.

From that point on state aid takes the form of incentives based on a formula incorporating the return on assets and profit before tax.

This, in effect, means businesses have to make a profit and use their assets effectively to be eligible for continued support.

"Objectively viewed it is a good package,

but it doesn't address any of the disadvantages businesses in this region face," Mr Spring said.

"Our biggest problem is being far away from the main markets on the Reef. The rail subsidy helped, but without it we won't be able to compete with other businesses for the lucrative Reef market."

As for the rural areas, both in the Border corridor and the homelands, after re-incorporation the emphasis must be on local input and resources, and using the specific skills or expertise in their area.

"The opportunities are fairly limited," Mr Te Braake said.

"Therefore the rural areas must concentrate on serving the local market and building the economy from the bottom.

"Border-Kei must

look to develop other sectors of the economy. There has been too much emphasis on industrialisation as the only way to develop the regional economy.

"What we should be doing is looking at bottom-up development like small-scale industrial agriculture, forestry and tourism.

"Even so, industry in East London will only start to benefit once the overall recession lifts and a political settlement has been reached," Mr Te Braake said.

Mr Spring sees the future of the region as one increasingly dependent on exports.

"If we can't compete with the main inland markets we will have to look outward.

"We are ideally placed with the harbour. We will have to encourage companies to start looking at the export market," he said.

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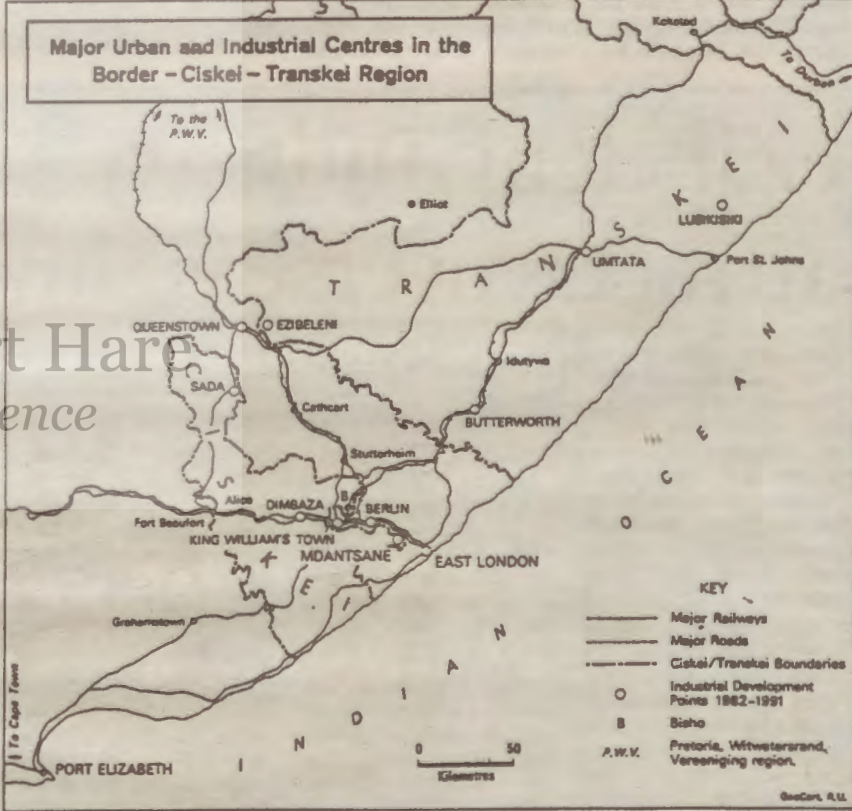
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**Factors Impacting Negatively on Manufacturing Firms in East London**

Factor	% of Firms Negatively Affected
Water Costs	4.7
Electricity Costs	31.8
Transport Costs on Inputs	45.9
Transport Costs on Outputs	43.5
National Economic Recession	72.9
Regional Economic Recession	63.5
Labour/Political Instability	60.0

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# TDC turns focus to community



MR MARSHALL SWANA

In 1990 the TDC began to review its role and saw what many people in Transkei had been saying all along — that development entailed more than bringing in foreign investors in the hope that benefits would trickle down to the poor.

The TDC realised that in order to advance the region's economy, the homeland's most valuable resource — its people — would have to be developed first.

The organisation's Grassroots Regionalisation Programme, which it implemented this year, aims to do just that by asking communities what they need and helping them achieve their goals.

"We became aware that the top-down approach of the 1950s had to give way to an approach which stresses community involvement and direct benefits being delivered to the developing communities," said TDC's managing director, Mr Marshall Swana.

"Development is not just about industries or shops but encompasses a whole range of activities and processes including health, education, transport and a host of social services," Mr Swana said, adding that Transkei should stop waiting for "outside help" to develop the region.

"The initiative must come from the people of Transkei by making greater use of the available resources of the whole region and through self-employment.

"The basic needs of the people are the focal point of the programme. People need food, shelter, health, clean running water, clothing, education, administration and security."

To be more accessible to rural communities, where 85 per cent of the homeland's population resides, the TDC decentralised its operations and opened regional offices in Kokstad, Umtata, Butterworth and Queenstown.

The organisation also appointed 22 development officers tasked with investigating new projects, helping to implement them and providing after-care services once they came to fruition.

Although still in its early stages, the project — which could assist communities in anything from water supply, small industry and clinics to electrification, road repairs and soil conservation — is already proving to be a success.

At Zazulwana, near Butterworth, the TDC has recently completed a new clinic to bring medical facilities within the reach of the community.

The clinic was built in exchange for 40 hec-

The Transkei Development Corporation has been considering what role, if any, it can play after the reincorporation of the homeland into South Africa. The result has been a shift in emphasis from industrial growth to making themselves more accessible to the people who most need to be developed. **GEORGE GALANAKIS** reports.

tares of tribal land adjacent to Butterworth which will be used to provide serviced sites for the residential ex-

pansion of the town.

The TDC, which was established in 1976, still believes it will have an important role

to play in the region after reincorporation.

"We believe there will be an even greater need for a development agency when

there is a government which is responsive to the needs of the people," Mr Swana said.

"The area from the Umzimkulu to the Fish River is affected by severe poverty.

"The TDC has an increasing, and not a decreasing, task of uplifting the living standards of people in the region," Mr Swana said.

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**W**e are making a major effort to seek out industries which can use our locally produced raw materials and develop exports to keep more money in our country while creating more jobs.



# Plans for cellular telephone network

The introduction of a cellular telephone network is expected to increase accessibility to telephone communication from nine to 70 per cent of South Africa's population after the first five years of its operation. **GILLIAN BLACKLAWS** reports.

A joint venture company, Vodacom Group, was formed to operate the first South African Global System for Mobile Communications (GSM), with Telkom as a 50 per cent shareholder.

Meanwhile, would-be competitors in the cellular telephone industry have expressed dissatisfaction that Telkom has started setting up the infrastructure for its network, giving it an unfair advantage over the company which is granted the second licence.

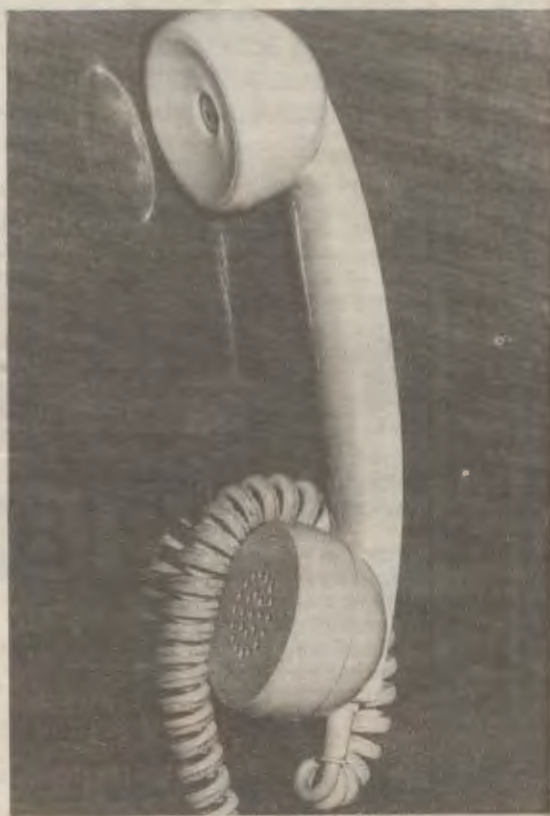
Responding to these allegations, Telkom's senior general manager of public affairs, Mr Johan Adler, said when Telkom allocated some R50 million in the 1992/93 budget for the introduction of a cellular network, it had the sole right to provide all telephone services and required no licence to do so.

When it subsequently emerged that cellular licences would be issued to two operators, work on a number of radio masts had progressed to the extent that cancellation costs would have exceeded the financing costs.

At the time, it was clearly established that both cellular operators would open the service on the same date and that neither would have an unfair advantage.

Asked for the ANC's perspective, the Border ANC media officer, Mr Mcebisi Bata, said the ANC, while not opposed to the technological advancement that came with the introduction of cellular telephones, was opposed to the process by which the project had been introduced.

He said there were technical committees at the negotiations forum, one of which was charged with the task of looking into broadcasting and telecommunications.



In deciding to allow Telkom to set up its cellular telephone network, the government had once again shown disregard for the process by unilaterally restructuring important sectors of South African life.

The average number of queries that had occurred in the old department of posts and telecommunications had been maintained.

However, the number of queries had escalated with the introduction of the 087 service and then normalised again when it was discontinued in December last year.

In his review covering Telkom's first months, Mr Du Toit said by the time the 087 service was terminated, Telkom's image had been eroded "an all-time low".

Staff morale had suffered and an intensive advertising campaign was introduced which was having the desired effect, he said.

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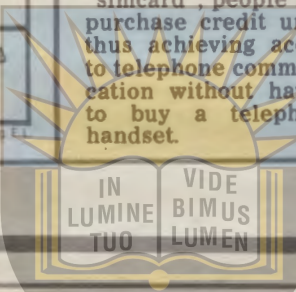
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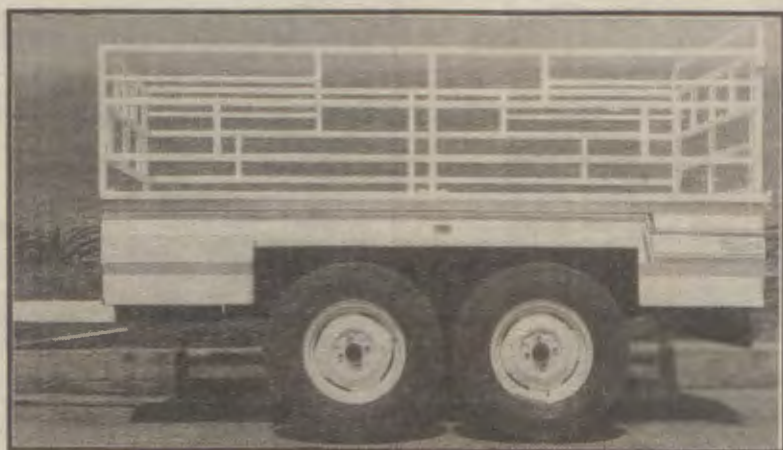
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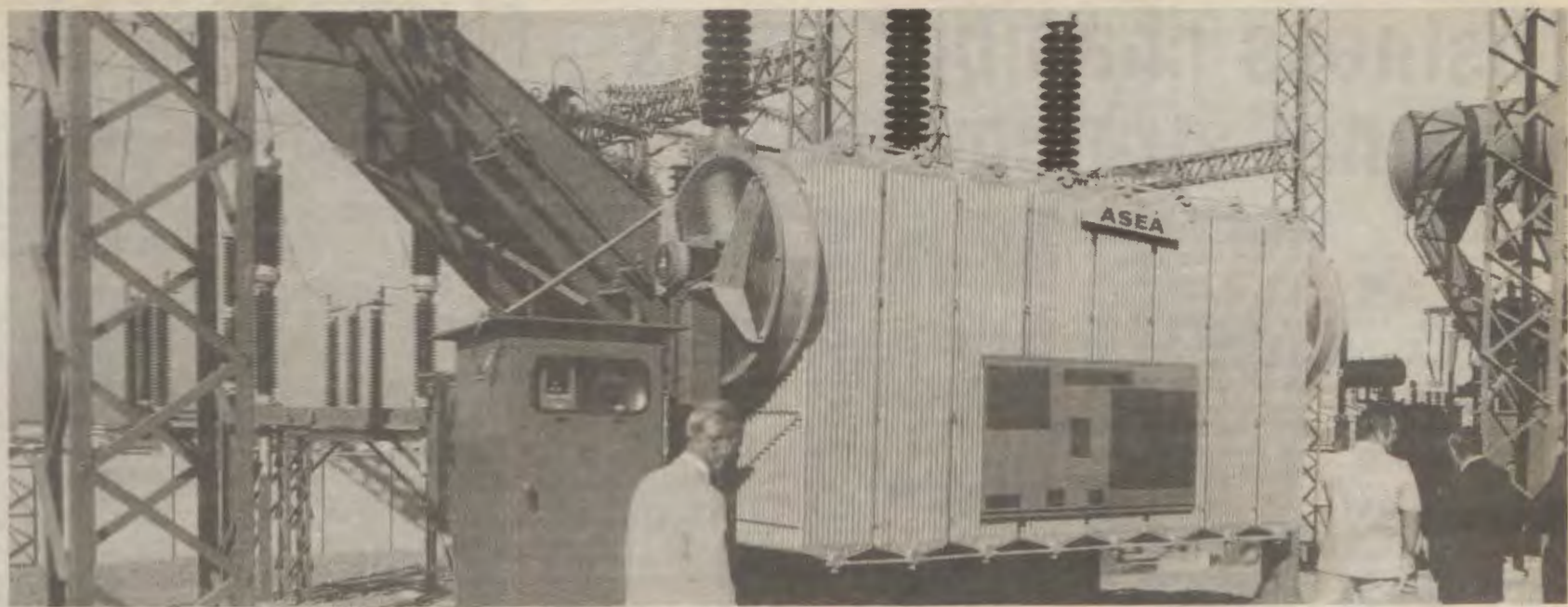


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Under the Industrelek banner, Eskom aims to provide a more user-orientated power and energy service, with custom-designed products being made available to meet the electricity needs of industrial and commercial consumers.

Here officials inspect one of the transformers at the Woodbrook electrical substation.



# Eskom strives to fulfil new goals

In an aggressive drive targeted towards the industrial and commercial sectors Eskom has launched a comprehensive campaign to win over the hearts and minds of the marketplace.

Marketed under the Industrelek banner, the plan is aimed at providing a more user-orientated power and energy service, with custom-designed products being made available to meet the electricity needs of industrial and commercial consumers.

Industrelek reflects a major shift in the Eskom corporate culture, to a market orientated strategy.

"Rather than us being just a monolithic supplier of electricity we have become aware that there is more to Eskom's role than just getting the wire to the site so to speak," said Eskom's marketing manager for the Eastern Cape, Mr Rene de Kock.

Eskom's task was to help the benefits of its products beyond the wire, to help customers realise the benefits by aiding them in using the product more effectively and efficiently.

"We believe that by encouraging the efficient use of electrical energy to augment or replace other often outmoded forms of energy will provide at least part of the necessary spur to industry or greater growth," Mr De Kock said.

It was clear that Eskom of today had undergone a cultural and philosophical change which places the needs of its customers and the fulfilment of those needs as the sole measure of its performance as a sharply focused service organisation.

As part of its market-driven focus, the Industrelek project encompasses a number of activities to achieve its goal to better inform and service the market place.

Twelve Industrelek advisers have been

By ITUMELENG GUSH

appointed through the Eastern Cape — six from East London — who will identify client's energy requirements and recommend the best solution for them.

The advisers are highly trained in the field and have an understanding of the need to balance productivity and cost.

The six advisers are stationed at Eskom's Sunilaws marketing centre in Beacon Bay from where they are able to service commerce and industry's requirements.

A major thrust of Eskom is the development of its marketing centres into extensive

exhibition and demonstration facilities where a range of electrical equipment and products are on display.

Incorporated too are on-site research, testing and demonstration facilities, which will be made available free of charge to potential clients.

Most of these facilities incorporate the latest technologies for powder coating curing, air knives, various infra-red heating systems, de-humidifiers, heat pumps, electrode boilers and submersible heating elements as well as various measuring apparatus.

Mr De Kock said in addition that Eskom

was acting pro-actively in trying to meet the needs of the market.

Eskom is also far advanced to launch a project similar to Industrelek targeted at the domestic market — more specifically poorer households, as it is Eskom's aim to provide a further million homes with electricity within the next five years.

About 16 000 houses in the Border region will be electrified by the end of this year.

In February Eskom finished its project to electrify 3 876 sites in Rini Township, in Grahamstown.

Other areas to be electrified are Mlungisi township in Queens-town and Nomonde Township in Molteno.



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# Business chamber urges regional strategy plan

by YVONNE MARSHALL  
The Border Chamber of Business (BCOB), which celebrates its first anniversary next month, firmly believes that a new South African dispensation should be based on regions and that business should play a major role in regional development.

The chairman, Mr Errol Spring, said business should organise a strong body to represent and motivate the business viewpoint in the region. This was one of the chamber's most urgent aspirations.

The formation of the Border Business Action Committee (BBAC) had been the first step to achieving this in the Border-Kei region, and had the backing of the chamber.

Mr Spring said he believed it was vital for the community at large to become involved in forming a strategy for the region.

"The Border-Kei has suffered most at the hands of the former government, particularly through its division into three political entities.

"The old philosophy of a strong centralised government had resulted in Pretoria or Cape Town deciding what was best for us.

"We must mobilise commerce to become part of BCOB and, through BBAC, support the strong Border Kei Development Forum (BKDF)."

The BKDF was the place for all interested groups to effectively put together a development strategy because it was owned by com-



MR SPRING

able forum where business and labour could meet to discuss problems and issues pertinent to growth in the Border-Kei.

"The chamber believes business, as the economic generator in the region, must make its voice heard so that politicians don't make decisions affecting the economy without first consulting commerce.

"We have to become a more pro-active player in effective regional development and be recognised as such."

A Border-Kei region had potential to operate effectively as a separate region if properly and strictly administered.

Mr Spring felt this potential had never been fully exploited previously, mentioning tourism as a source suffering in this respect.

Responding to a question about the capabilities of the Greater East London Publicity Association, Mr Spring criticised its administration and the fact that it was not structured along business lines.

He said tourism had the potential to be the biggest industry in the Border-Kei region.

mitted people who would see it successfully implemented, Mr Springsaid.

He also believed business and labour were key players in any economic development and expansion project. The chamber was working hard to establish an accept-

# Frustrating first year for development body

by TANYA JONKER

It's been a frustrating first year for the Border-Kei Development Forum (BKDF) as political instability and the resulting regional upheaval hampered and came close to derailing its objective of regional development.

A breakdown in negotiations and consequent mass action severely affected the regional economy, and unresolved issues such as the demarcation of regional boundaries caused considerable tension in some quarters.

Apart from putting a strain on regional development and job creation, it also hampered the forum's efforts to bridge the fragmentation that has plagued the region.

"The most challenging task that faced the directorate during its first year of operation was to create an environment conducive to development," the director of the BKDF, Mr Andrew Hendricks, noted in the forum's annual report.

"The ups and down of negotiations towards a new constitution directly affected the efforts of BKDF to establish itself and in particular to gain the support of its most diverse membership."

The BKDF, formed in May last year, comprises a wide range of governmental, non-governmental, community, business and labour groupings within the Border, Ciskei and Transkei.

Its prime objectives are:

- encouraging wide participation in the development process;
- identifying needs and formulating strategies to relieve poverty; and
- stimulating job creation and upliftment of the quality of life in the region.

The region included in the

BKDF's development programme stretches from the Fish River in the south to the Orange River in the north, and along the Lesotho border to Transkei's northern border on the Umzimkulu River.

Despite numerous setbacks, the forum has managed to garner both the support and co-operation of almost all the regional role players, putting itself in a position to achieve vital goals in the coming year.

Their approach to development is to focus on addressing the basic needs of people and to empower them to uplift themselves. Emphasis has also been placed on addressing the critical water situation.

"The fact that over 80 per cent of the region's population live in rural areas has led to the strong focus on addressing rural development issues," Mr Hendricks said. "Close contact has been kept with initiatives in the region to co-ordinate rural development such as the establishment of a broad-based co-ordinating body for rural development in Transkei."

Its vision for the future, as outlined by Mr Hendricks in his report, seems to hinge mainly on the Border Kei Development Plan, formulated at the outset of the establishment of the BKDF to deal with long-term planning requirements.

Preparation of the plan is seen as a process focusing on gaining maximum participation at sub-regional level to ensure the needs and priorities "are clearly identified and are given due priority".

This project was recently approved by the Development Bank of Southern Africa for grant funding of R527 000, and is expected to be completed by March next year.

See also page 18

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# Sisters are doing it for themselves



Mr George Addai, Ms Lulu Xingwana, Mrs Regina Nzo and Mr Henry Sawyer at the Women's Institute in Stutterheim

By ITU GUSH

The high rate of unemployment, which in some cases stems from illiteracy, has inspired certain organisations in the Border region to embark on self-help projects to uplift the standard of living in some communities.

The Emmanuel Mission in East London started a self-help agricultural scheme in Cefani Village, in Mooiplaas last year.

The director of the Emmanuel Mission, Mr D. C. Rudolph, said the project was started with 19 people who were given land and seeds to plant.

Most of the crops are brought to the mission to be sold and the profit goes to the people in Mooiplaas.

The project, which was started in a church yard and it has now involved more than 200 members of the community.

People are now able to make their own gardens and they come together and sell their produce.

"The project has served as a bond to bring Mooiplaas people together," Mr Rudolph said.

The mission, he said, was planning to introduce another self-help project for the Cathcart community where 220 acres of land with seven dams and a sprinkler system would be donated.

"We are planning to put five to ten families there and give them seeds as well."

The mission was focusing the self-help schemes on rural areas as most people there were unemployed and had been neglected for a long time.

The African National Congress' Women's League (ANCWL) in the Border region is also involved in a project which provides both literate and illiterate women with skills so that they can help develop themselves and other people as well.

There is a Malibongwe national

development institution in Stutterheim which started in March this year.

This institution was initiated by women who came together to discuss ways and means to develop women regionally and nationally.

Different training programmes like how to run a pre-school, poultry farming, and sewing of traditional clothes, are offered at the institution.

The ANCWL's publicity secretary, Miss Bukiwe Fanta, said there was a group of women who have been taught how to grow vegetables and fruit and the

proper use of fertilisers.

Miss Fanta said the group was functioning well as the women were selling their produce and making money for themselves. The women, she said, are able to start their own gardens and would teach others as well.

The sewing group had made tie and

dye garments, some of which, Miss Fanta said, had served as exhibits at the Grahamstown National Arts festival this year.

"The core of the institution is to give basic education and skills to women and to ensure the restoration of their dignity," Miss Fanta said.

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# Rural industries stable

King William's Town industries have not escaped the effects of the economic situation and are experiencing a downward pressure on selling prices.

The chairman of the King William's Town Chamber of Commerce, Mr Michel Walter, said most businesses had also been affected.

There was a high level of unemployment and resultant shrinkage of disposable income, he said.

Political disturbances and stayaways had shortened the number of trading days and for many busi-

While most Border rural towns have not experienced a significant growth in industries, they are surviving and continue to look to a possible economic upturn to improve their fortunes. **GILLIAN BLACKLAWS** reports.

nesses had resulted in more pressure on already tight purse strings, he added.

Mr Walter said if the political situation stabilised, the chamber was optimistic about the future of the region because of positive relationships developing between business and labour and as a result of initiatives taking place in the Border Kei Development Forum.

Stutterheim is one of the few towns in which industrial development has occurred and 12 businesses employing 109 people have been established at the town's industrial park.

The Stutterheim Business Information Centre is helping a variety of small manufacturing businesses such as brickmaking, yellowwood crafts, shoemaking, sewing and millinery, in addition to supporting hawking and retailing.

A new tyre service-centre has also recently opened.

According to the chairman of the Stutterheim Development



MR NICO FERREIRA

Foundation, Mr Nico Ferreira, despite feeling the effects of the recession, the timber and furniture making industry have maintained sales and turnover.

A factory producing a variety of commodities such as candles, paints, ink and household cleaning agents

has doubled the size of its metal products division in the past year and, while maintaining the size of its other sections, is ready to expand when the economic climate shows an improvement.

They are also just breaking into the export market, Mr Ferreira said.

As a predominantly farming area, Cathcart has few industries and little growth has taken place in this direction.

The mayor of Cathcart, Mr Arthur Brandt, said: "With the participation of all races, Cathcart can hold its own until there is a general upswing in the economy."

There had, however, been some initiatives, such as the establishment of a sewing and knitting home industry, he said.

Komga, which is also a farming area, supports some light industry, but has shown no growth.

The town clerk of Komga, Mr Johan Kuyler, said that, with the negative economic climate, people were not prepared to start industrial ventures.

The political situation in the area was also not favourable for development, he said.

Meanwhile, Berlin has not shown industrial growth, although existing industries are surviving.

A spokesman for the East London municipality said there had been no reports of industries in Berlin closing down, but the economic recession had stunted the growth of industry there.

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# More affordable health care for more people

Under the terms of the new act, deregulation will increase competition among the medical aid societies, cost effective use of all the medical services will encourage a price restraint.

The end result will be that participants in medical aids will now benefit from competitive rates, improved available benefits, and lower priced medical services.

To be able to achieve less expensive medical care it will be necessary for the medical aid societies and the insurance companies to work closely together, in this way costs can be reduced dramatically by pooling risks and re-insuring.

**Personal control**  
Halcyon Health Care Insurance, an East London based insurance brokerage, was formed in 1990 with the explicit task of addressing the growing need for specialised attention to be paid to the complex subject of medical aid and medical insurance.

It has been encouraging, therefore, to see this positive move by the government enabling the public to have access to more affordable medical services.

Cost control modules are fast becoming an

With the acceptance of the Medical Schemes Amendment Bill in February 1993 the long awaited "equal treatment for all" status has arrived.

Amendments to the act are designed to make health care much more affordable, therefore reaching a far wider section of the public, which previous legislation prevented.

integral part of medical schemes.

One of the major reasons medical aids are put under such financial pressure is the abuse of the services brought about by the high cost of the schemes, inducing an attitude of "Let me get value for my money" in the participant, and visits to the doctor for relatively minor ailments become the norm.

Under a cost control module the insured participates in a unique bonus scheme that can return as much as 90% of the monthly contributions to qualifying members, with a corresponding premium adjustment, within set limits, to those who require a more comprehensive form of cover.

This means that for the first time the public can have a measure of control over their medical expenses, and the healthy no longer have to subsidise those with a greater need.

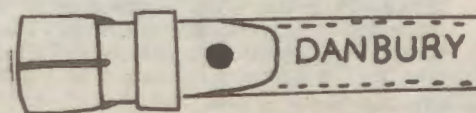
Gary Briceland, Halcyon's medical aid and insurance specialist

consultant, says that it is such a pleasure to at

long last be able to sit down with either a single client or a full board of company directors, secure in the knowledge that within the portfolio of medical schemes available today he can be confident that something will be found that meets his clients' personal requirements.

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# Da Gama battles threat from imports

by TANYA JONKER  
Like every other industry, the textile trade is experiencing one of its toughest times ever.

Apart from battling the effects of the prolonged economic depression, large-scale importation of foreign fabrics continues to be the thorn in the side that is causing great concern among the industry's leaders.

And Da Gama, the largest textile manufacturing operation in the region, is showing signs of becoming increasingly battle-scarred by the government's inability to stem the flow of imported textiles.

Year-end figures show significant drops in both turnover (down almost R5 million) and attributable earnings (down more than 30 per cent).

In addition, the company has embarked on an extensive rationalisation programme to curb costs.

Da Gama's chairman, Mr L van der Watt, blames some of his company's woes on deepening recessionary conditions, but points out in his annual report that unabated importation of foreign fabrics had resulted in a further real decline in textile manufacture in South Africa.

"Current estimates are that about 45 per cent of South Africa's requirements for cotton and man-made/cotton woven fabric is being imported. Clothing imports also increased substantially and were exacerbated by imports of second-hand clothing," he said.

Mr Van der Watt and his chief executive, Mr Harry Pearce, have both been critical of the Department of Trade and Industry's new tariff structures.

The new structure, introduced in November last year, takes the form of ad valorem duties and is equivalent

to a certain percentage of the total value of the imported product, linked to a maximum specific duty.

In addition, a minimum duty has been set to act as a safety net to address the problem of insufficient protection against low-priced products landing on the SA market.

Duty-free import permits issued by the Board of Tariffs and Trade under the structural adjustment programme were nullified by the reduction in import tariffs on yarn, fabric and clothing.

"It is understood that approximately R600 million of duty free import permit will be available for use until March 31, 1994, when the current programme lapses," Mr Van der Watt said.

In an interview shortly after the introduction of the new structure, Mr Pearce said the recommended rates of duties for textile fabrics did not adequately address the problem of fabric which arrived in South Africa from subsidised Far East countries.

"The relationship between the yarn duty and the fabric duty is skewed in favour of yarn. In coarse terms the ad valorem for yarn is 35 per cent and for fabric 50 per cent," he said.

Despite signs of an upswing in the economy, the tough times are far from over, with private expenditure still in negative territory and a positive growth rate until "well into 1994".

"The prospects of an export-led recovery of the South African economy in the year ahead have dimmed as positive recovery in the Republic's trading partners has either yet to take place or is still very modest," Mr Van der Watt said.

However, he was confident of Da Gama's ability to ride out the storm.

"Although no significant reduction in the imports of foreign fabric is likely in the coming year, group earnings are nevertheless expected to approximate those of the past financial year, provided there is no serious deterioration in the current socio-political climate," he said.

As far as rationalising is concerned, Da Gama has had to consolidate finishing, dyeing and printing in one factory in Zwelitsha instead of at two plants as was the case previously.

The saving from this, Mr Pearce said, had begun in early 1993, but would not reach fruition until the latter part of the year.

Both men were confident of posting better results at the end of the next financial year.



Da Gama Textiles is a major employer in East London and King William's Town — this is their labour intensive home fashion division

# R60m shopping mall for Umtata

by MKHULULI BOLO

The R60-million Circus Triangle shopping complex on the outskirts of Umtata is the single biggest and most exciting development in the history of Transkei.

This huge commercial development will provide 350 jobs to Transkeians during construction and will give Umtata a major boost, bringing competition to commerce and reducing the high cost of living for many Transkeians.

Furthermore, the complex — which is due to be completed in April next year — is expected to bring one-stop shopping to Transkei for the first time and to keep shoppers within the homeland.

A spokesman for the developer, M & R Prop-



An artist's impression of the R60-million Circus Triangle development, Umtata's first "one-stop" shopping complex which is due to open to the public in April next year.

erties' Eastern Cape regional manager, Mr Don Stewart, said: "This development means a great deal for people in Transkei — it will offer a great range

of quality goods at very competitive prices all under one roof."

The shopping centre is a 1994 building; it is a progressive, modern

and well-ventilated complex which also incorporates Transkei's first escalator and first opaque passenger lift — shoppers were sure to love it, he said.

It will have plenty of on-site parking which will be especially convenient for customers.

"Economically, this reflects the confidence

our company has in Transkei, since Circus Triangle will meet the requirements of Transkeians.

"Many people who shop in East London

and Durban will probably be induced to rather spend their money in Umtata," Mr Stewart said.

The complex is on two levels, covering some 16 000 square metres. It will also incorporate a taxi and bus rank, a petrol station and parking space for 50 buses and 60 taxis on the upper level plus bays for over 300 cars on street level.

A large number of South African national stores will be setting up shop at the centre, which will house 62 outlets and provide employment to at least 350 people.

The stores include Shoprite as the main tenant, as well as Foschini, Markhams, Truworths, Diskom, Pages, American Swiss, Ackermans, Morkels and Pep Stores.



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Da Gama's chief executive, Mr Harry Pearce

# T'kei forestry projects show steady growth

by HEATHER KOPP

Forestry in Transkei is one industry that will not be affected by reincorporation as it has a broad market base extending into South Africa and overseas export, according to the company manager of Langeni Forest Products here, Mr Jack Swart.

Langeni Forest Products outside Umtata is one of Southern Africa's largest sawmills with advanced sawmilling technology harvesting pine and eucalyptus trees which are grown by the Transkei Government.

The timber is transported to the mill and converted into structural and industrial timber for local and export markets, while eucalyptus is converted into transmission (telephone) and fencing poles.

Langeni Forest Products, which has a sister mill — Singisi Forest Products, near Kokstad, has an intake of 170 000 cubed metres of pine and 30 000 cubed metres of eucalyptus.

A marked effect on profitability was caused this year when a R2 million sawmill was burnt down, but production has since been rearranged to include a second shift to maintain output and avoid retrenchments. The company is a major employer of 862 people with thousands of dependents.

Mr Swart said recent incidents of violence against motorists in Transkei have affected expatriate staff turnover to a certain degree because of feelings of insecurity, and there has been difficulty in replacing high quality qualified staff.

The afforestation project — North East Cape Forests — which is situated in Elliot, Ugie and Maclear districts is a joint venture between the Anglo American Corporation, De Beers and Mondri Paper Company Ltd.

The general manager (forests division) of Mondri, Mr John Quy, said the project comprises a total area of 80 000 hectares of which 22 000 hectares have already been established primarily in pine species.

The total planted area will be approximately 45 000 hectares with the balance being maintained for conservation.

The NECF has environmental commitments in the form of a self-imposed environmental code of practice which provides for the protection of over 9 622 hectares of wetlands and about 150 km of river on the property.

Between Mondri and sub-contractors, 1 000 people are employed at present.

The NECF, which is based exclusively in South Africa, acquired farms in South Africa because of its ability to grow commercial plantations without reference to political boundaries.

Mr Quy said the NECF was an important part of the community in the area and there should be no major difficulty when reincorporation took place.



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A member of the steering committee of the Institute for Strategic Human Resources Development and chairman of the Border Business Action Committee, Mr Ray Suttner.

## R1m boost for Border-Kei development

by TRICIA ABBOTT

The Border-Kei Development Forum was given a significant boost last month when Honda Japan donated R1 million to Mercedes-Benz of South Africa for the establishment of an Institute for Strategic Human Resource Development in the region.

The institute, which was launched on August 1, will provide affordable human resource development services to community organisations, business and trade unions.

A member of the steering committee and chairman of the Border Business Action Committee (BBAC), Mr Ray Suttner, said the institute would be guided by the vision and goals of the BKDF.

He said the foundation on which all human resource development is based is adult basic education and while a number of initiatives to address this problem have commenced, efforts in the Border area had been largely unco-ordinated.

"Some leading companies have introduced adult basic education programmes which have major potential of expanding into the community and it is important to note that programmes of this kind have the blessing and support of the union, community and management of the

companies," Mr Suttner said.

He said there was a broad need for formal and informal programmes that addressed the problems and provided the expertise and skills necessary for the development of business and the general community in the Border area.

He added that a need existed to offer advice on strategic human resource matters and strategic planning.

"The institute will maintain its independence, yet seek to develop an association with all formal and informal educational institutions and endeavour to assist in empowering such institutions wherever appropriate," Mr Suttner said.

He said initial funding would be from business and other sources and the institute would eventually become self-sufficient through providing a professional, competitive quality of service.

"At the same time we will ensure that disenfranchised organisations are not prejudiced due to lack of finances and business will be required to pay a fair fee for services rendered, while community organisations may be required to pay nominal rates," Mr Suttner said.

The institute will expand the regional leadership skills base by efficiently delivering a broad range of high quality and relevant educational, training and development opportunities to business, trade unions and community organisations.

"The institute will strive to ensure the services of highly skilled educationalist trainers to meet identified development needs, these being the needs where the formal and informal institutions do not provide an adequate service," Mr Suttner said.

At the time of going to press the institute was still in the process of securing premises and training resources from existing institutions and organisations.

"The institute must ensure that it has the infrastructure and competitive capacity in terms of premises to ensure a professional appearance, offices, caucus and conference and training facilities," Mr Suttner said.

Mr Suttner said unless they were able to empower the leaders through focused development and access to world-class resources and development techniques, the region would not be able to compete in the open international market of the future.

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# MBSA gears up for world markets

Mercedes-Benz of South Africa, with its manufacturing division based in East London, is rapidly gearing itself up to become a world-class manufacturer, able to compete on world markets.

The chairman of MBSA's management board and chief executive officer, Mr Christoph Köpke, is confident that the company is in a strong position to face tough future challenges as the government, forced by international pressure, scraps import tariff protection.

He said MBSA's objective was to become the most efficient motor manufacturer in

South Africa and the most efficient subsidiary of Mercedes-Benz AG in Germany.

MBSA has been remarkably successful over the past three years, bringing efficiency levels closer to international standards.

Work content increased by 10 per cent at MBSA during the past financial year, despite the reduction of staff, which enabled the company to maintain its viability in the harsh economic conditions experienced by automotive manufacturers.

Where a Mercedes-Benz was previously 10

per cent more expensive than any other luxury German sedan, the prices today are totally in line.

This, Mr Köpke said, was possible thanks to successes in a cost-reduction programme which will cut costs by R193 million by the end of 1993, most of which had been achieved through improvements in processes and systems.

This enabled MBSA

to launch its new Honda Ballade last year at an unprecedented entry-level price, lower than the model it replaced, complemented by the introduction of an even lower-priced Ballade Encore this year.

Mr Köpke warned that next year will be more difficult. The commercial vehicle market, which has already shrunk to a quarter of its size over

the past five years, is not expected to get much better.

MBSA started changing its management systems some years ago to a more participative style, moving from a culture of control to one that empowers employees to be more efficient.

The human resources manager for MBSA in East London, Mr Mike Folan, said the trend was to move towards a decision-making process involving longer periods of consultation and shorter periods of implementation.

"By having a longer period of consultation,

the new idea is to involve labour at an early stage in decision-making so that plans which suit both labour and management are evolved," Mr Folan said.

At the core of the new approach is the realisation that employees can no longer

be considered mere units of labour as was the case in the past.

With greater gains in efficiency and productivity through better processes and systems, further cost reductions and a more stable economy, Mr Köpke believes MBSA can look forward to a good 1995.

## Developing human resources

Mercedes-Benz of South Africa (MBSA) has made human resource development a top priority.

In a report on its training programmes, the company said it had budgeted R1 million this year in order to bring all employees up to an acceptable level of literacy, numeracy and life skills.

To develop these skills the company, in conjunction with the

major representative employee trade union, the National Union of Metalworkers of South Africa (Numsa), initiated the company's adult education centre (AEC).

Employees needing to develop literacy, numeracy and life skills are taken off the production lines and put through a series of courses, starting with mother tongue literacy.

"These courses not only teach reading, writing and arithmetic, but also how to solve problems, think critically and become effective students.

"One of the most touching moments for the tutors came barely a month after the AEC opened when some of the learners, for the first time in their lives, were able to sign their own names for their

payslips. It signified a milestone in taking control of their lives," the company said.

The basic literacy skills acquired by the workers enables them to acquire additional skills in either commerce or engineering, recognised throughout the motor industry, the MBSA proudly boasts of its courses.

The manager of the human resources development in the local manufacturing plant, Mr Alan Eyre, said all of the initiatives were aimed at creating and fostering a culture of learning in the company.

"As the employees empower themselves, the company will become increasingly participative — and that spells more flexibility and better productivity," the company says.

With the aid of a model truck, apprentices in the technical training centre are introduced to a number of subjects such as fitting and turning, tool jig and die making, heavy current electrical, electronics, automotive mechanics, auto-electrics and others.

The apprentices would make anything from steam engines, tools and electric circuit boards to robots with hydraulic arms, MBSA said.

The training centre provides a full technical training college, recognised as such by the government, in which students study for and write national technical exams.

Not all graduates end up working for MBSA. Some of them sell their skills to other Border companies or go into business for themselves.



A student measures tolerances on his model truck project at the MBSA Technical Training Centre in East London.



A tutor demonstrates aspects of a Honda Ballade engine to a student at the MBSA Technical Training Centre.

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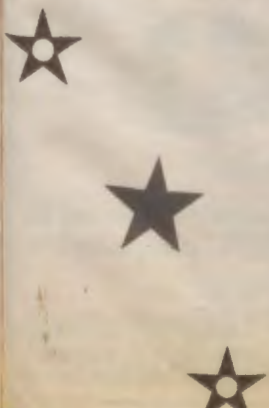
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The Eastcape Training Centre's phenomenal growth can be attributed to the successful fulfilment of its primary aim which is to equip individuals with skills and to continue meeting the changing needs of industry.

The centre presents courses in a wide range of fields, namely administration, management and computer training, technical, artisan, building, driving and agriculture.



## Equipping people to meet the needs of industry

Eastcape Training Centre, situated in Wilsonia, was established to serve the Border-Kei region. As one of nine regional training centres in South Africa, it is registered

as a non-profit organisation and is governed by a board consisting of leaders in commerce and industry.

The centre's phenomenal growth can be attributed to the successful fulfilment of its primary aim which is to equip individuals with skills and to continue meeting the changing needs of industry. The centre presents courses in a wide range of fields namely administration, management and computer training, technical, artisan, building, driving and agriculture.

Due to the unprecedented demand for driving skills, ETC has expanded its driver training facilities which now include training for learners through to Code 14 and are conducted to the K53 system of vehicle control. As the result of an association between ETC and AA Driver Academy, an advanced driving course will be presented at ETC from mid-August. The course duration of nine hours includes a theory session, a practical session, in-car instruction and a final evaluation. Apart from increased personal protection, Advanced Driving Course certificate holders can qualify for a reduction in insurance premiums under an insurance scheme from Lumley Insurance Brokers.

According to Mosact legislation, forklift operators are obliged to be in possession of a valid certificate of competency. Since February 1993, ETC has served industry in the increased demand for accredited training by presenting accredited courses in forklifting, and mobile truck cranes. Having conducted courses for a number of major organisations, ETC has trained over 600 forklift operators since gaining accreditation.

The rapid expansion of the computers industry has led to a backlog of computer

training and ETC therefore offers computer training in various spreadsheet and wordprocessing programmes at competent fees. The courses, which can also be presented on weekday evenings and Saturdays, include computer literacy, DOS, Lotus, Professional Write and Word Perfect.

A fifteen-module supervisory course. Modern supervision will be introduced in the near future. The programme covers topics including planning and scheduling, leadership, communication, industrial relations and maintaining discipline and each module is supported by a video. Other courses offered by ETC include handskills, administrative/clerical, storeman and principles of supervision. The courses are presented by a team of professional instructors at ETC. ETC has presented a number of courses at clients premises including CNC lathe operators and corrective welding. This on-site training is an added service which ETC offers to industry.

ETC provides assistance to the community by offering training to

unemployed individuals under the Department of Manpower unemployed programme. Successful candidates have the added advantage of the ETC Aftercare Department which is in a position to assist with securing employment.

Tax-paying organisations which employ 200 or less persons at any one location have the advantage of the gener-

ous 60 per cent concession on certain courses offered by the Department of Manpower. Companies are encouraged to utilise this option as a cost-saving.

Should organisations wish to discuss their training needs and requirements in further detail, contact our marketing representative on 0431-452255 for a personal consultation.

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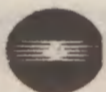
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Crestrider Canopies situated in Magnolia Road, Braelyn has been in operation since 1975, and is involved in the sale of fibreglass canopies and accessories. Crestrider boasts a range of more than 180 different models of canopies for light delivery vehicles. Crestrider is known around South Africa as one of the largest manufacturers of fibreglass bakkie canopies. Crestrider at present operates canopy factories and fitment centres in Port Elizabeth, East London, Bloemfontein and Pretoria and is represented in most major centres. A large workforce is employed in the manufacture of the Crestrider Canopies and they have been designed to meet the needs of the user and

range from canopies with lift-up doors to full doors and double doors. Marketing and sales director, Mr Larry Whitehead says: "The shape and style of the canopies are designed by a team of skilled professionals who endeavour to incorporate such features as design, style, safety, spaciousness and streamlining." Gas operated door-lifts are a standard feature on all half door canopies which allows for easier opening and closing. All crestrider canopies are fitted with armourplate safety glass and all crestrider canopies have a white impregnated finish which gives them a high gloss finish. All stress points have been reinforced to provide greater

safety and security. Fully or partially enclosed canopies can also be ordered and supplied on request. Cab sliding windows can be fitted to all makes of light delivery vehicles and canopies, which enable easier communication between the driver and any passengers. Crestrider can supply canopies for most light delivery vehicles dating back to 1969 and have been the leaders in design innovation changes seen in their range today. Over the years canopy shapes have changed dramatically from box-type looking canopies to more streamlined designs, whilst still providing all the functional uses desired. Larry Whitehead says "We have made use of windtunnel tests on our range of crestrider canopies to improve streamlining and fuel economy and can assure the customer that less fuel will be used by a customer's bakkie if fitted with a crestrider canopy." Crestrider is a family business which has grown from a total of five employees to 140 employees over a period of 30 years. A higher degree of

workmanship is involved in the manufacturing of these crestrider canopies and because their range is fibreglass, these canopies are lightweight and can be easily installed and removed.

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# A world of opportunities at technical college

Unemployment is a major problem facing society in this country.

But while matriculants and students of many tertiary institutions find it increasingly difficult to obtain employment in commerce and industry after completion of their formal training, the quality and relevance of vocational education offered by

technical colleges guarantees that students are thoroughly prepared for the specific needs of the workplace and are therefore more readily employed.

Technical colleges also serve the community by training for specific needs with shorter informal courses, part-time courses and enrichment courses

after-hours.

The East London Technical College, established in 1926, is the biggest career-orientated facility in the region and strives to serve both the training and cultural needs of its community.

The college has at any given time approximately 1 000 full-time and 2 000 part-time students.

Formal full-time courses on a pre-matric level include a National Senior Certificate in Business Studies with specialisation in the secretarial or administrative/accountancy direction, and the National Senior Certificate in Art and Design.

The entrance requirements for the N1-N3 course in engineering (which can also lead to a senior certificate), are a Std 7 pass with mathematics. Students can specialise in either mechanical or electrical engineering.

On post-matric level the department of business studies offers clothing production, secretarial, computer practice and accounting certificates and a marketing diploma in



The beautiful main building of the East London Technical College

conjunction with the Institute of Commerce and Administration (IAC).

The department of art and design offers certificate and diploma courses in fine art and graphic design.

In the engineering department the N4 to N8 courses in mechanical and electrical engineering are offered. The college also offers the first semester of the mechanical and electrical engineering diplomas in conjunction with the Port Elizabeth Technikon on a full-time and a part-time basis in East London as of January 1993.

Various departments offer hobby courses. The department of art and design studies includes ceramics, drawing, painting, weaving and photography.

The department of home economics offers courses in tailoring, dressmaking or pattern construction, cookery and interior decorating.

Conversational classes in English, Afrikaans, Xhosa and German are offered part-time and immigrants can enrol for English and Afrikaans tuition.

Both the department of ballet and dance and the department of music contribute to the cultural life of East London with the activities and courses they offer.

The National Senior Certificate in Ballet is offered on a full-time basis. Both the Royal Academy of Dancing and Cecchetti methods from primary to advanced levels are taught by this department for part-time students. Other classes include tap, Spanish, highland and mod-

ern jazz dance.

The department of classical music offers tuition on the piano, violin, viola, cello and recorder, as well as all relevant theory subjects. The department of light music offers guitar lessons and students can specialise in classical, folk, jazz, blues and bass. Tuition on keyboards and other popular band instruments is also offered.

The department of physical education offers gymnastics and tumble for preschool to advanced levels and the college has a gymnasium for body building.

The department of haircare offers modules one to six on a part-time basis to apprentices who are employed by hairdressing salons.

A department of short courses and seminars runs courses for individuals and businesses according to individual requirements. This department specialises in computer training, business management and secretarial skills.

The adult education unit offers English literacy and language skills development courses, as well as specialised courses such as management and supervisory training to commerce and industry.

The King William's Town Technical College functions as a satellite campus of the East London Technical College and offers the following full-time courses: National Senior Certificate in Business Studies, National Senior Certificate in Engineering Studies, National Diploma in Farming Management, Motor-Diesel-Tractor (MDT)

Secretarial and Computer Practice and course and the National Certificate in

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# Taxman helps those facing retrenchment

Previously, one of two provisions applied to assist employees who were being retrenched to minimise their tax burden on the value of the severance packages they received.

In the first place, R30 000 of any such payment is free of tax where the recipient is over the age of 55 years if a male or 50 years if a female.

In addition, any amount in excess of the R30 000 limit is taxed at the employee's average rate of tax (and not the marginal rate) provided the taxable amount does not exceed three times the annual average of remuneration received by the employee during the three preceding years of assessment.

In the second place, the average rate of tax is applied to those employees, irrespective of age, who have been retrenched either as a result of their employer ceasing to carry on business or because of a general reduction in personnel, subject to Revenue's discretion to allow such a concession.

In practice Revenue rarely refused to extend this benefit.

In his Budget speech on March 17 1993, the

Minister of Finance extended these benefits by announcing that the first R30 000 of a retrenchment package would be exempt from tax, irrespective of the age of the recipient.

Any amount in excess of R30 000 will remain subject to average rates on the conditions set out above.

An anti-avoidance measure was also announced in that the exemption will not apply to a director of an employer company and did not hold more than five per cent of the company's shares.

An interesting as-

**As a result of the present economic climate a growing number of employers have been faced with no choice but to reduce salary costs, inevitably leading to the retrenchment of staff.**

**ALAN THOMPSON, partner at Ernst and Young's East London office, looks at taxation of retrenchment packages.**

pect of this new position is that it is of retrospective effect and applies to all employees laid off on or after March 1 1992.

The issue that immediately arises relates to the mechanism Revenue will permit for a refund of tax deducted from retrench-

ment packages paid to employees laid off between March 1 1992 and March 17 1993.

We understand that the following procedure will apply in respect of payments after March 1 1993. (Earlier payments should be reflected on tax returns, and refunds claimed):

● In the case of those employees whose retrenchment packages were less than R30 000 Revenue will permit employers to effect a full refund of the tax on this amount to the employee concerned and withhold the PAYE so refunded from their next payment of employees tax to Revenue.

This will also apply in the case of those employers who were afforded a general directive by Revenue enabling them to calculate the tax deductible on retrenchment packages exceeding R30 000.

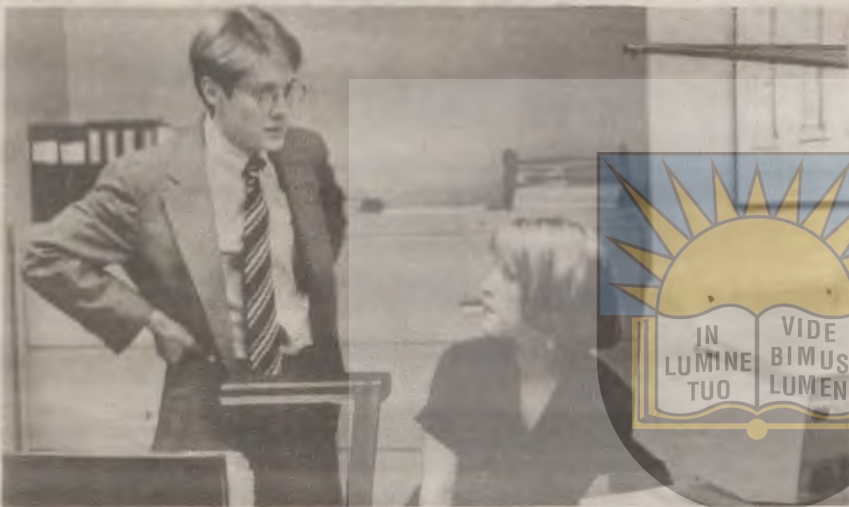
● In the case of those employees whose packages were more than R30 000 and who were required to obtain a specific directive from Revenue an application must be

made for the cancellation of the original directive and the issuing of the new directive.

● In the case of retrenched employees subject solely to the SITE system of tax, the receipt of a lump sum on retrenchment will in any event have been subjected to PAYE and not SITE tax. Refunds will accordingly be made on the basis set out above.

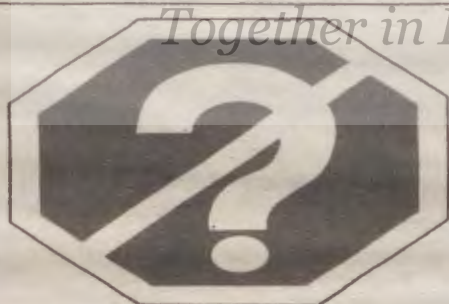
● Employers will be required to cancel already finalised IRP5 certificates and to issue revised certificates to employees affected.

For details on taxation of retrenchment packages in the Transkei, please call Tony Goosen on (0471) 31-0886, or Alan Thompson on (0431) 433492 to discuss legislation effective in the Ciskei.



News of retrenchment is hard for anyone but the tax position on financial packages has eased

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# Environmental concerns low on companies' lists

The business community's policies on environmental matters have come under the spotlight. A representative number of businesses were asked about their procedures in discharging industrial waste, whether they made use of an environmental audit and what other environmentally friendly practices they followed. **ELIZE GOUSSARD** reports.

From the limited response received to inquiries, it seemed as if environmental concerns were, with a few exceptions, very low on the list of priorities of the Greater East London business community.

However, some companies pointed out that they followed the company line through corporate policies and referred specific inquiries to their respective head offices, but the question to be answered remained: what initiatives do they follow here?

The October issue of the Financial Mail pointed out last year that directors of South African companies seemed to be unaware that they could be prosecuted in their

personal capacities if found to be negligent in allowing their employees to transgress environmental laws.

It hailed environmental auditing — a concept which involves the encouragement and development of pro-active environmental policies to forge stronger links between business and conservation — as a "new kid on the block", and said it seemed to have taken hold in South Africa.

Environmental scientist Erica van den Honert of consulting engineers Hill, Kaplan and Scott calls environmental auditing a "management tool used by commerce and industry to evaluate their environmental performance and as-

sess their business risks".

Llewellyn Botha, a partner in a Cape Town based environmental law consultancy, has identified some 70 Acts of Parliament and 20 ordinances of the provinces which contain provisions pertaining to environmental concerns in one way or the other.

As the public increasingly turn a critical eye towards business practices, South African companies follow overseas examples and embark on their own cleaning up campaigns.

So what is the position in East London?

The city's biggest company, Mercedes

Benz South Africa (MBSA), has committed itself to manufacture its wares "in an environment that is conducive to the highest local and international standards" and pledged that "protecting our environment is an important consideration in every decision we make".

Its Environmental Handbook, an in-house publication which paves the way for other companies to follow in the environmental field, sets out procedures in a clear cut way to encourage environmental friendly practices, such as the saving of water, among its staff.

On waste, MBSA's policy is to treat it at source by installing treatment processes and by checking and improving existing facilities.

Toxic waste products are being transported to Port Elizabeth to be disposed of in a Class 1 disposal site. In 1991, about 500 000 litres were transported at a cost of almost R250 000.

At the beginning of 1992, ten toxic liquid waste containers were introduced into the plant to be used for liquid wastes such as dirty thinners, used benzine or kerosine, chromic sludge and oil water mixtures.

Ordinary household and production wastes, not harmful to people, are discharged at the city's only Class 2 waste site, Second Creek.

The Environmental Handbook urges MBSA employees to minimise waste, while the company supports recycling under the logo War on Waste.

And employees are prompt to ask themselves the question: Do I think and behave in an environment friendly way everyday, at work and at home?

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The two main categories of training are in-service and work-seeker.

The Border Training Centre is structured to provide in-service training to commerce and industry. Training can take place either at their well equipped

centre or on-site. Pre-trade test training is offered to prepare apprentices for their trade test at Olifantsfontein Trade Test Centre.

Workseeker training is offered free of charge to the unemployed and every effort is made by their Placement Centre to secure employment for trainees on the completion of their training.

Certain courses are presently being re-structured in order to place more emphasis on entrepreneurial training. This is necessary for the expansion of the informal business sector and is an effective way of generating further employment opportunities.

The fully equipped mobile training units enable the Border Training Centre to go out to rural communities.

The Border Training Centre, through fully equipped workshops

involves basic secretarial skills plus a range of computer courses from MS (DOS) to D Base IV PLUS.

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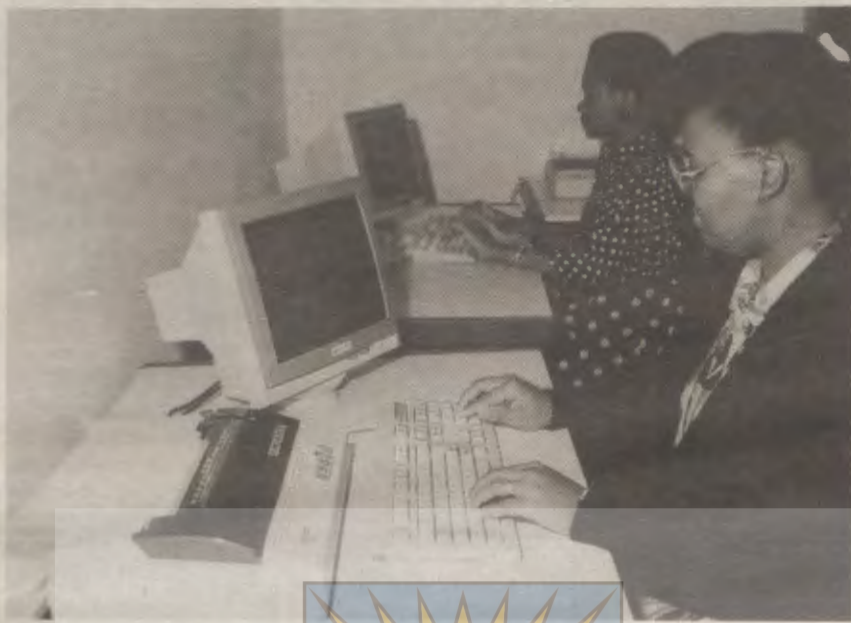
Centre has been accredited by the SA Institute of Materials Handling (SAIMH) to train both forklift and reach truck operators in accordance with legislation which requires all operators of lifting equipment to be trained and certificated by accredited training centres.

The centre, which is in Mfana Street near the Mdantsane Police

Station, also offers superb accommodation, ensuring that trainees enjoy all the home comforts they are familiar with.

The facilities at Border Training Centre must be seen to be appreciated.

The public are invited to visit where they will be given an informative guided tour.



Computer training is an important part of the Border Training Centre's courses

and well qualified instructors, provides basic theory and extensive practical training in a diverse range of technical and commercial skills.

The technical training involves such courses as fitting and turning; handskills metal; welding (all methods); refrigeration; electrical; motor and diesel mechanic; tractor and motor truck maintenance; auto-electrical; spray painting and panel beating.

Building and construction courses involve training in brick-laying, carpentry and plumbing.

Commercial training

the supervisors and managers of tomorrow as well as upgrading existing skills.

Catering courses are offered to the hospitality industry and a 12 week home economics course is presented to workseekers for their development as professional domestic workers.

The Border Training Centre's eight week clothing production course has resulted in many workseekers securing employment in the clothing industry.

The Security Guard Training Section at BTC offers both basic security training as well as an advanced

The newly built driving skid pan is the only facility in the Border-Kei region which provides drivers with a realistic simulation of emergency situations.

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## Businesses need to combine to tap market

By MTOBELI MXOTWA

Big and small businesses should combine to tap vast African markets.

This is the view of the chief economist of the Small Business Development Corporation (SBDC), Dr Edwin Basson.

Dr Basson feels that the creation of joint ventures between South Africa's larger companies and smaller enterprises with access to the fast-growing informal trading sector would not only benefit domestic but also sub-Saharan marketing for firms in the formal sector.

In an address to the Institute of Marketing Management, Dr Basson explained that the combined contribution to the national Gross Domestic Product (GDP) by the informal sector and small to medium enterprises was 48 per cent, compared with 25 per cent by large private businesses.

"There are only about 730 holdings and listed companies, compared with 2,5 million business ventures in the informal sector. Yet, to many South Africans, the few holdings and listed com-

panies seem to represent our entire economy," Dr Basson said.

The provision of basic foods to small and medium enterprises, as well as the informal sector, represented a major marketing opportunity for bigger firms, he said, adding that it was extremely difficult for companies to tap into these growing markets around the cities.

Dr Basson advocated co-operation between large companies and smaller firms to bridge the gap and entrench South Africa as a major force in the developing world.

"If suitable products, correct distribution and competitive pricing can be attained, not only the domestic market will be reached, but also the vast market in the frontline states, which basically have similar consumer demands," he said.

He said as African states currently imported large quantities

of goods, an enormous market was awaiting South African companies committed to exporting.

While the SBDC's aim was to assist informal business enterprises financially and with other advice in order to encourage such ventures to graduate to more formalised operation, over-attractive financing could seriously erode the country's taxation base, Dr Basson said.

"Blanket financing to hawkers could, for example, encourage green grocers to leave their shops and set up stalls on the pavement.

"The ideal alternative would be to encourage the informal grocer to move up into the formal sector and gain access to finance, premises and advice," he added.

The informal sector on its own could not be the panacea for the economy's ills, he said.

Dr Basson pointed out that the SBDC had in the past 12 years provided finance totalling over R1,5 million to more than 40 000 business enterprises in South Africa.



Lock Street Jail in East London

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# Education for the polling booth

The companies who had made a decision emphasised that they were familiarising their employees with voting methods — especially for blacks who had never voted in a national election before.

In the coming election people will be voting for a non-racial government and it is the first time that blacks and whites will vote together after the demise of apartheid rule.

Mercedes-Benz of South Africa's public relations officer, Mrs Wendy Hoffman, said: "We believe that business has a very important role to play in assisting its employees to be in a position to vote with full confidence for the party of their choice."

"This will mean that employees will have to be familiarised with all aspects of voting procedures and the democratic election process — an important step in the formation of a new South Africa which will uphold democratic principles," she said.

The issues would be discussed between management and employee representatives at MBSA.

**With about 20 million South Africans going to the national polls in April next year some Border companies are gearing up for election mania.**

**Some are preparing voting programmes for their employees while others have not yet made a decision to train their staff on voting procedures. MKHULULI BOLO spoke to some of them.**

Mrs Hoffman said: "However it is important to recognise that business is not linked to any political party but it is in the interests of business that employees are able to make an informed and objective decision."

This was also echoed by the Human Resources Director of Tek Electronics in Johannesburg, Mr Roger Lloyd.

He said: "We support voting education for our employees and we are currently negotiating with Damelin in East London to provide this on a voluntary basis for our 780 workers in Wilsonia."

He said the company had not yet embarked on the "educational project" but were at an advanced stage in planning it for next month for its employees working in the television and refrigeration factories here.

The personnel manager in Nestlé's East

London factory, Mr Gordon Crawford, said: "We are discussing the voting issue with the

Food and Allied Workers' Union representatives and so far no decision has been taken."

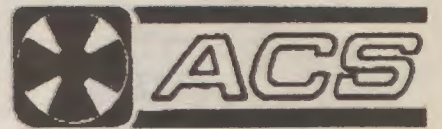
He said the company believed that people had a right to vote for a party of their choice.

The East London Municipality's human resources manager, Mr Ronnie Ortlieb, said: "The council has not made a decision to train its 2200 employees in which there is a fair number of illiterate people."

The director of the Border Chamber of Business, Mr Errol Spring, said the South African Chamber of Business was preparing a video on voter education which would be available to members.



Mr Errol Spring... "South African Chamber of Business is preparing a video."



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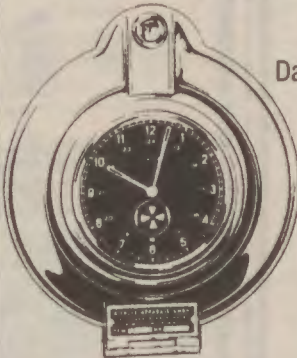
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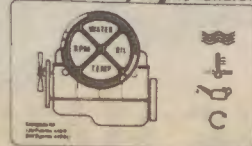
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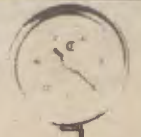
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# Confidence must be the key to Dersley's success

by DAVE MARRS

Mr Dersley's rise from employee to dynamic and wealthy businessman has been little short of miraculous — despite a reputation for rubbing people up the wrong way.

Ironically, the all-consuming determination that some find abrasive is also a major contributor to his success.

In just 10 years Mr Dersley has created four solid companies in the Border and Ciskei, either from scratch or by turning dormant concerns around.

Apart from bringing in new industry and tax revenue for the re-

If there is one word that could explain why entrepreneur Monty Dersley has achieved so much during the past decade it must be confidence.

It's not just that he believes he is right, he *knows* he will succeed. Obstacles — and there have been many in a region where the odds are stacked against new industry and job creation — are there to be brushed aside with contempt.

gion, as many as 1 200 jobs were created, although some have since been lost to the recession.

At their peak, Mr Dersley's various endeavours had a combined turnover of some R140 million.

Born in Potchefstroom in 1953, Mr Dersley was in his mid-twenties when Chloride employed him as works manager in East London.

In 1982 the rubber division was declared redundant and the young Monty Dersley raised a few cynical eyebrows by proposing a management buyout with two partners. Darmag was born.

"I believed it had quite a lot of poten-

tial," he said.

An uncharacteristically modest statement. He *knew* he was on to a winner.

Within 18 months Darmag had closed General Tyre subsidiary Ferroplastics and enjoyed a monopoly in the rubber battery casings market.

Turnover rocketed, from R532 000 in 1983 to R2,6m the next year, R6m in 1986 and R17m in 1988.

In 1985 plastic battery components producer Accuma was acquired and relocated in East London.

Ferroplastics' separator division was added to the stable soon thereafter.

Darmag was listed in 1987, with Anglo American subsidiary Zimco holding a majority shareholding.

But the restrictions resulting from outside control did not suit the Dersley management style and relations soured.

Mr Dersley resigned as chief executive of Darmag in 1991 and has subsequently sold his shares and resigned as a director.

The company's growth has slowed after peaking in 1990 with turnover at R26,4m.

But Mr Dersley had a number of other irons in the fire during his involvement with Darmag, including television manufacturer Triad, started from scratch in 1985 with two partners.

In true Dersley fashion, after nine months of repeated requests for a licence to manufacture television sets fell on deaf ears, the Minister of Commerce and Industry at the time, Dr Dawie de Villiers, was collared and persuaded to cut through the red tape.

The first colour set came off the Triad production line in 1988 and turnover hit the R50m mark in 1990. Mr Dersley now owns an 85% share in Triad.

Translucent sheeting producer Modek was started in 1990 in opposition to Everite subsidiary Paxit, which held the monopoly. By September 1992 the company had grown enough to buy out Paxit and Mr Dersley sold his stake in a highly profitable

concern.

In 1986 he took a major shareholding in Commpro, a manufacturer of printed circuit boards, which has since been acquired by Triad. Commpro supplies not only Triad, but also other South African television manufacturers.

But no rise in business is completely smooth and Mr Dersley admits he "suffered a setback" in 1990 after buying into a company that would have produced hairdryers and custom-built television sets for the hotel industry worldwide.

The project turned out to be a scam and Mr Dersley lost millions to a con artist who fled to Australia.

Undeterred, Mr Dersley has consolidated his interests, concentrating on Triad, which has recently expanded to produce refrigeration appliances after tying up a deal with Italian white goods producer IBERNA. There are undoubtedly other projects in the wings.

But what is it that motivates Monty Dersley the entrepreneur?

"The challenge of taking an ailing company and turning it around.

"My primary success has been identifying opportunity and turning ideas into reality, making it happen. The difference between success and failure is that ability."

It all sounds so easy.



MR MONTY DERSLEY

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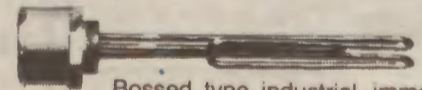
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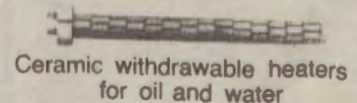
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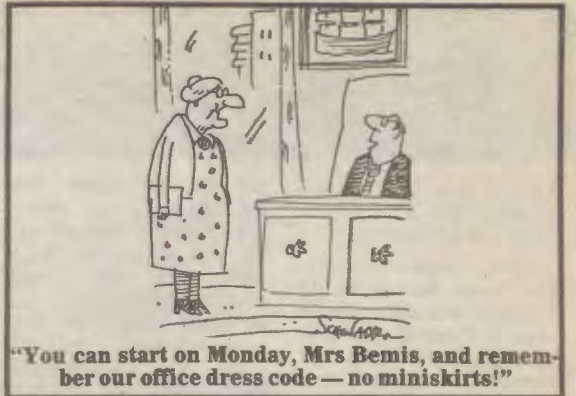
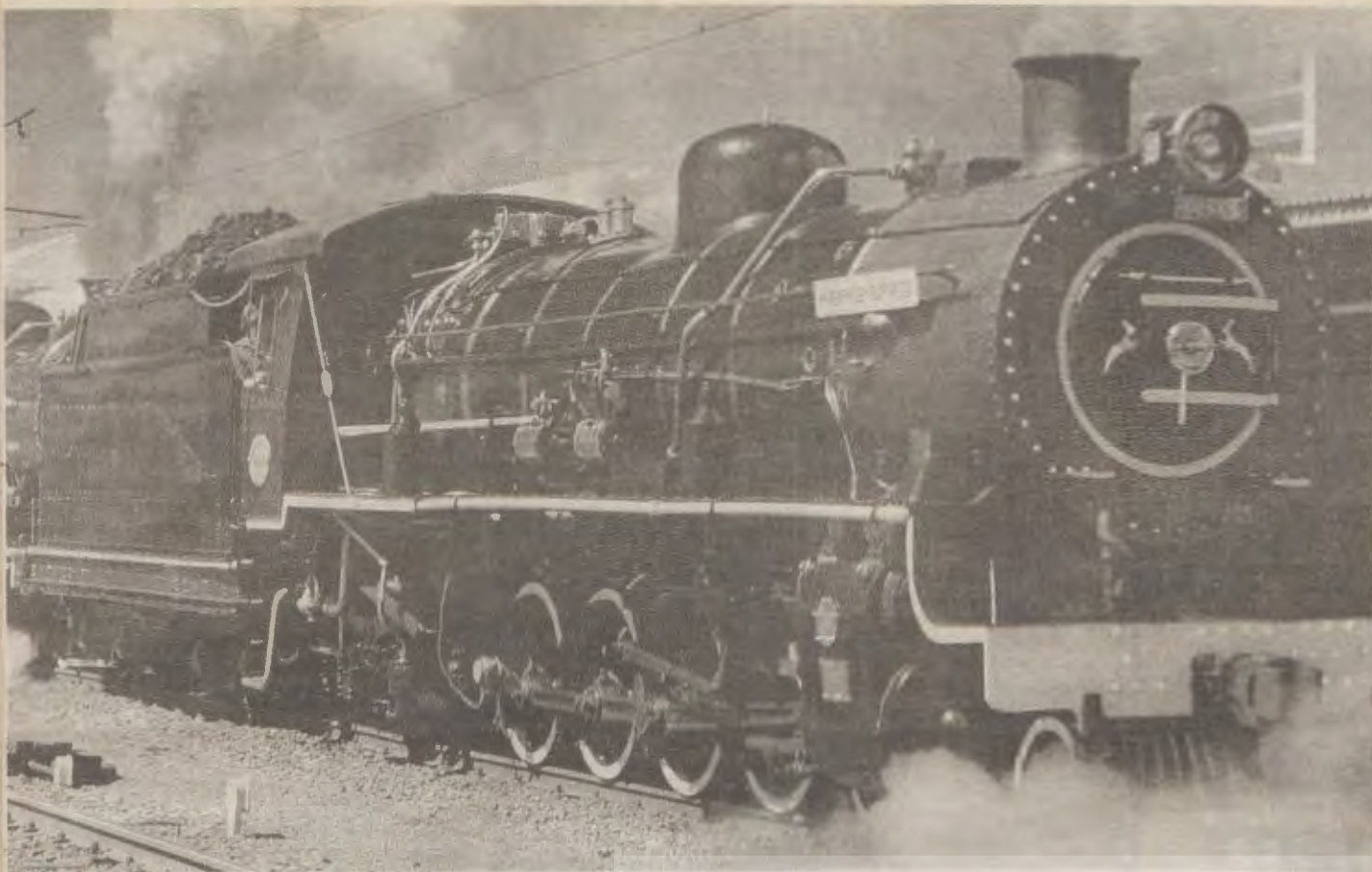
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A restored 14 Class RB locomotive lets off a cloud of steam as it pulls out of East London station

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in both the freight and passenger rail transport markets. Spoornet also runs the Metro commuter service on behalf of South African Rail Commuter Corporations (SARCC).

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With the changing economic markets in the new outward economy of South Africa, Spoornet has taken steps to promote its dealing with the manufacturing sector.

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Spoornet offers a comprehensive train service which includes a daily fastfreight goods service between East London and Kaserne with a guaranteed transportation time, as well as an overnight service between East London and Port Elizabeth.

For passengers there is a daily Interpax train service between East London and Johannesburg with an average of 536 seats per day. To better the service the times were changed and the train now arrives in Johannesburg at 8.15 am.

The Metro commuter service operates between Mdantsane and East London. This service offers reliable transport for commuters from Monday to Saturday. The present service has a capacity of 12 150 per direction per day.

The past year Spoornet was re-structured in line of that which is taking place in the country. They believe that the only way to achieve success is to change, to adapt and most importantly, to move.

To change is an indication of vision and strategy. To adapt is an indication of willingness and co-operation, but to move is to combine everything into a dynamic process.

Most economists would agree that an efficient transport infrastructure forms the backbone for the growth of any economy. To this extent, Spoornet plays a major role in stabilising transport costs to promoting trade relations between Sub-Sahara Africa, South Africa and their overseas markets.

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# Is a free market economy the answer

Two of the buzz words of the '90s are "comparative advantage".

With global unemployment being at its highest level since World War II, governments everywhere are trying to create employment by encouraging investment.

To do so means to promote the comparative advantage of the particular region and thus entice the invest-

tor to establish his undertaking in your area, on the basis that, by doing so he will have an advantage over a competitor. An example would be the comparative advantage to be gained by a Japanese manufacturer locating its manufacturing facility in say, South Korea, thus enjoying a reduced labour bill.

The liberalisation of

Europe has given investors a new area of opportunity and given the billions of foreign aid pouring into Eastern Europe, its large and inexpensive labour pool, its proximity to the main European markets and the political importance of its development succeeding, it becomes clear that in the race for investment, Africa is a non starter.

Southern Africa may

**What are the remedies for this area's economic woes? Many government policies of the past have been tried and found lacking. LANCE CHANDLER, a senior lecturer in accounting at Rhodes University's East London campus, looks at the issues involved.**

be blessed with an abundance of raw materials but that on its own is not sufficient to give us a real comparative advantage.

We therefore need to look inwards for our development. The fact that South Africa is a non-starter when it comes to attracting foreign investment is well illustrated by the investment record of the major South African conglomerates, which shows that unless they enjoy massive tax benefits as an incentive to invest, (as in the Lost City), most South African conglomerates are looking overseas for a place to achieve growth. The reality of the new world order is that Africa doesn't exist!

In the South African context East London would seem to have "comparative disadvantages". The negative images of our city as a place to invest that were created in the '80s and the perceived instability of our area make East London's chances of attracting any investment at all seem to be remote.

Perhaps the answer lies in re-examining our true comparative advantages and if on

reflection we don't have any, then let us begin to create some.



The abandoned Kings Hotel site on the Esplanade

Clearly our city needs to grow in the greater interest of employment and stability for our entire region area. The growth in the migration of the unemployed from the Border/Kei region to the Western Cape and PWV can be a strong mitigating factor in drawing the support from all regions of South Africa in formulating and paying for policies which will keep our people in our region and economically active.

What are our so called comparative advantages? We are always told of the wonderful tourist attraction we have in our unspoilt coastline. It takes little imagination to realise that we can never hope to compete with the scenic beauty of the Cape and that any tourism we may encourage will always be the uneconomic variety, the benefits of which are questionable.

The state of our tourism infrastructure

speaks for itself. The current state of the Kings Hotel site tells us more about our comparative tourist advantage than I can.

The only real development we have seen has come about as a result of the tax breaks that developers have enjoyed — or gambling monopolies.

mented as to be too little over too large an area.

Can you imagine what East London might have looked like if all the Decentralisation Benefits had been focused on the city, rather than the many points scattered around the region?

Imagine that all the Butterworth, Umtata, Queenstown, Dimbaza and every other industry established in the Border/Kei region as a result of the incentives, had been located in East London.

At some stage this industrial base would have reached critical mass and instead of these industries now closing down as a result of the withdrawal of the benefits, a vibrant local economy would have been established on a sustainable basis — giving a real comparative advantage to the region as a whole.

The real flaw in any Decentralisation incentive plan is the fact that it is not sustainable. Why? Simply because it aims to redistribute wealth in an artificial way.

The industrialist who can play the "claims" game gets the biggest advantage, regardless of the efficiency with which he runs his plant and sells his products. The economic viability of the venture seldom enters the picture until the incentives have run out.

Although the new incentive package currently available aims to improve economic performance by only rewarding those businesses that show proper economic merit it too amounts to a re-

● continued on page 31

# to the financial woes of the region?

● continued from page 30

distribution of hard earned wealth from areas that have a natural comparative advantage to those that don't.

One must also ask what incentive there is to the entrepreneur, since a successful business venture will only be paid the incentive if it is successful, in which case, presumably the availability of the incentive would not have been a determining factor in its establishment.

What to do then? Surely the answer is to let the market decide for itself by having the minimum of artificial intervention. This could be achieved by giving new undertakings a start-up period (three to five years) during which time profits would not be taxed.

By allowing industrialists to enjoy a start-up period free from taxation East London would have an enormous comparative advantage over the rest of South Africa. The benefit of a tax break is that the system is simple to administer and extremely cost efficient.

The real cost to the fiscus is nil since he no longer pays an incentive. The tax receipts which he foregoes in the start-up period would not have accrued had the undertaking not established in any case. By giving the industrialist a three year tax break, fiscus still collects, PAYE, VAT and taxation from the wealth which is created in the area by the establishment of new business. In fact it would probably be a safe bet to say that the taxation not collected would be less than the cost of the incentives paid out during that period.

Why should the rest of South Africa agree to this? For two reasons: firstly the amount of taxation currently generated directly on company pro-

points.

If East London could forego development incentives in favour of tax holidays it would have a real competi-



Hong Kong's miracle of free enterprise — the twin towers of the Exchange Square development soar over the CBD

fits in the Border/Kei region is probably a very small fraction of the total company tax receipts for South Africa as a whole; secondly, as already pointed out, the Cape-tionians and Vaalies would no longer have the huge problems of rapid urbanisation since development in East London would be a case of taking the jobs to the people and not the people to the jobs.

Our attitude is manifest in the perceptions which we have about labour in our region and in the type of development which we wish to "allow" to take place. In regards to labour I believe that we do have a comparative advantage. Our labour is no more skilled than any other region's nor is it more (or less) productive, but it is disciplined and more or less united in its political outlook. These are two great strengths which I believe we can turn to the region's advantage.

If at the end of the tax break period, the business should fold, at least the area has the advantage of having had its infrastructure improved at no cost to the taxpayer will accrue to the region. Buildings, machines and trained people do not just disappear when businesses close down. Neither do the host of small business which develop around growth

To me it seems that our greatest comparative advantage must be our attitude. Let us accept that we in the Border/Kei area live in the third world. We do not have any claims on the first world and therefore to pretend to be part of such a world can only lead to frustrations, disappointment and conflict.

The recent Mayoral letter (reflecting presumably the thinking of the rate-paying citizens) reflects our lack of serious commitment to true development. The mayor reminds us that to establish and carry out a business activity from a private home (the comparative advantage being low overhead cost) could result in a fine of R10 000.

If those in our city that have the capacity to facilitate growth can accept this fact it could revolutionise our approach to development.

Clarendon Gardens would by now be a thriving success. East London's CBD would be starting to resemble Hong Kong — dirty and smelly, but with every sort of economic activity taking place, an economic success. With people being employed and engaged in making money rather than making mischief.

Our city talks of attracting development but does it really mean it? Do we accept that development means traffic jams and street markets? We talk of an EPZ but our attitude to

development suggests that we aren't ready for it.

Is this the same voice calling for the free market forces of an EPZ? If the founder of the Apple computer company had started in East London they would have been R10 000 poorer, rather than the great success they are today!

There is no doubt that with our relatively homogeneous population in this region we have the ability to accept the fact that we are responsible for our own future. The energy that has gone into the great apartheid struggle now needs to be channelled into creating wealth.

Let East London's great economic advantage be its attitude. Let people decide where and when they want to spend their money and development will follow.

The fight for democracy will only come about when we give the

people the economic freedom to do business where and when and how their customers decide they want to.

Let East London lead the way and embrace true democracy. Our comparative advantage can so easily be our positive attitude.



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# Transkei resorts face tough time

Coastal resorts and industries are facing their toughest time in history, with some on the brink of closure and hundreds of people facing retrenchment in a homeland considered to be the least conducive to business at the moment.

There are 15 coastal resorts in Transkei, all of which have been affected to a greater or lesser degree by the perception that Transkei is unsafe or a "no go" area, according to the executive officer of the Transkei Tourism Board, Mr Clive Berlyn.

Certain resorts have been forced to retrench staff, while others are working on short time.

In the industrial field there have been many retrenchments and even some clo-

By HEATHER KOPP

Land centres are scaring investors away as protests here result in official closures all day, unlike in South Africa, where business goes on despite protests.

In attempts to attract tourists back to Transkei the tourism board is busy with recovery initiatives involving ongoing talks with all structures, Mr Berlyn said.

Other plans include securing "kickstart" funds for infrastructure and the improvement of tourist information and maps. The board is also investigating the establishment of permanent information offices and enhancing central reservation facilities.

Business people have also expressed concern that demon-

strations in the homeland centres are scaring investors away as protests here result in official closures all day, unlike in South Africa, where business goes on despite protests.

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## CAR OF THE YEAR - 1993



### BMW 316i

Everytime BMW has launched a new model it has been acclaimed Car of the Year. In 1988 the 7 Series was awarded this prestigious prize, whilst the 5 Series claimed it in 1990. Quite a remarkable performance in the 8 year history of the event.

Such performance fully mirrors that of BMW City. We offer experienced staff, dynamic after-

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