ECONOMY (49c) E. CAPE

1995 - 96

Local govt to be shored up

# Task force in Eastern Cape rescue bid

(49C)
BD 5/1/96

Robyn Chalmers

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

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

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

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

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

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

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

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

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

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

Ways to upgrade the public service, education and health, and to deal with corruption and promote foreign investment were also being discussed.

Comment: Page 6

(297) (49C)

# Funding doubled for RDP in Eastern Cape

CP 28/1/96

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

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

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

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

"The people are saying this themselves.

"When we go to communities, we are beginning to see electricity, roads and renovated schools.

"Women are no longer travelling 20 km a day for 10 litres of water; they are travelling 200 metres.

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

## Progress

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

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

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

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

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

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

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

## Consolidate

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

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

---

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

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

**"On average about 1,7 million school-going children benefited from the programme in 1995. – Ecna**

23/2/96

# Mbeki to launch Cape development

(49c) (238)

**Own Correspondent**

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

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

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

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

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

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

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

They found that more than 75% of the population did not have a water tap on their property, did not have access to a telephone or electricity, proper sanitation or to refuse removal.

# R8-billion plan to transform Transkei into tourist mecca

(49c) 

CT 23/2/96

POLITICAL STAFF

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

The R1,2 billion "priority development" was announced by Eastern Cape Premier Ray Mhlaba last Friday, and is the first stage of a planned R8-bn development aimed at making the former Transkei a tourist mecca.

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

Mhlaba said the economic development of the eastern part of the province would involve upgrading access roads and other infrastructure, and promoting tourism, agricultural development and mining ventures.

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

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

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

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

# Task team bid to unblock RDP spending

Stephen Laufer (49C) BD 26/2/96

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

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

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

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

Continued on Page 2

---

# Transkei

(49C)

Continued from Page 1

BD 26/2/96

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

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

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

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

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

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

Mbeki said the problems of the Eastern Cape highlighted the need to move "from a rules-driven to a delivery-driven public service".

"We need public servants who are problem solvers rather than bureaucrats," he said.

In a clear reference to the role of the Public Service Commission, Mbeki said the task team intervention had taken months to set up, despite an agreement on the issue between central and provincial governments.

Mbeki painted a bleak picture of the region, the poorest in SA with basic infrastructure lagging far behind the national average.

The poverty rate of 73% accounted for a quarter of all SA's poor. In Transkei the figure was 92%, with more than 75% of people living in informal structures and 85% having no [illegible] sanitation, water or [illegible]city.

The average number of people supported by a single earner is 3,7 — double that for the whole of SA.

More than 30% of men are absent from their families, six times the national average.

The rehabilitation of law enforcement would require special attention, said Transkei deputy area commissioner of police Christo Louw. He is also a task team member.

Widespread nepotism had affected morale in the old Transkei police, Louw said. The criminal justice system also needed to be rehabilitated

# R1,2 bn to aid E Cape Province

(49c)

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

Sowetan 26/2/96

**By Joe Mdhlela**
Political Reporter

DEPUTY PRESIDENT Thabo Mbeki is firm in the belief that it will take hard and productive work from various stakeholders to rehabilitate the Eastern Cape, particularly Transkei.

Mbeki, together with Minister Without Portfolio Mr Jay Naidoo, were guest speakers at the launch of the Eastern Cape Presidential Project in Umtata on Friday

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

### Restore administration

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

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

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

"The Transkei region, like many of the other homelands, was the dumping ground for our people.

"It was deliberately starved of resources and funding which has resulted in gross under-development," Mbeki said.

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

### Idle drivers

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

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

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

"Because we do not wish to be prescriptive, we are providing a backup service through the project team who must continually liaise with local communities."

# Naidoo explains how he plans to get Eastern Cape's RDP funds moving

Star 28/2/96 (496)

**By Jovial Rantao**
Political Reporter

Umtata – There were no autograph hunters waiting for the deputy president inside the dilapidated Umtata City Hall. And no slogans, freedom songs or the toyi-toy. Only talk – serious talk.

The faces of the people who packed the hall to listen to Thabo Mbeki and Minister without Portfolio Jay Naidoo on Friday morning told a thousand stories of frustration, desperation, anxiety and hope – desperate hope.

The national flag was upside down – an indication of how wrong things were in this part of the country from which so many ANC leaders, including President Mandela and Mbeki, were born.

It was an interaction between two top politicians and the grassroots at the most practical level. A government eager to unblock millions and activate projects to alleviate the plight of a poverty-stricken citizenry came face to face with a populace hungry for jobs, roads and empowerment, among other things.

A total of R800-million, Naidoo said, had been allocated to

Thabo Mbeki ... R800-m lying idle because the know-how isn't there.

Jay Naidoo ... a team will tackle the non-delivery of projects.

the Transkei area to kickstart RDP projects. However, lack of capacity and technical ability had led to the non-delivery of the projects.

Mbeki and Naidoo were in Umtata to announce measures to unblock the funds.

The money is part of R1,2-billion which has been allocated to projects in the Eastern Cape where key areas for state intervention were identified. Mbeki, Naidoo and Eastern Cape Premier Raymond Mhlaba announced the appointment of a team – in which business, labour, local and provincial governments and community organisations are represented – as a step towards kickstarting delivery.

Mbeki said the tasks of the project management team would be to carry out an assessment with a view to creating budgets.

Mbeki spoke of a need move from rules to results.

As soon as the speeches were over, an emotional people's forum got under way. Locals wanted to know why local expertise was not considered for the team.

The team, Naidoo explained, was not a political structure but a technical support system. "Very little has happened in the past two years because, while we have the money and the business plans, people don't have the technical capacity to turn these into bricks and mortar.

"However, we're intervening to make sure this happens."

# How Transkei wiped out farm scheme's profits

By CLAIRE ROBERTSON

**THE Transkei government took one year to run a viable agricultural scheme into the ground, looting and mismanaging it until vegetables rotted in the fields, according to a report on the project.**

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

The irrigation equipment was installed in 1986 and the project handed over to the Transkei government. An Austrian firm, Rudolf Bauer AG of Voitsburg, was contracted to run the scheme, and Austrian Dr Rheinhard Auerbock took charge.

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

Then the Transkei government took control.

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

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

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

Fictitious employees were paid almost monthly from June 1993 to May last year. Even the new employees who existed had little to do with farming. The scheme needed 16 watchmen, but by April 126 were employed.

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

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

But Xonxa did hire farming equipment: R5 000 a month for tractors "with no work done at all", said the report. Trucks were hired for R600 a day "even if the truck is broken down, about R18 600 a month is paid on a single truck, and there are at least six trucks".

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

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

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

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

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

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

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

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

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

Farming is the Eastern Cape's main job creator.

The former Cape Province part of the new province produces a considerable percentage of the country's meat and vegetables, but the Transkei produces only 20 percent of its own needs — even though its agriculture department employed 30 times as many people as the Eastern Cape division of the former Department of Agriculture.

(49c) ([illegible]) ST 5/3/95

NEWS Gross negligence depletes municipalities

# Transkei towns hit by bankruptcy

(49C) Sowetan

## ■ KEEP AFLOAT Money received will only help sustain municipalities:

EMERGENCY financial aid to 28 collapsed Transkei municipalities will do no more than keep them ticking over, Eastern Cape local government MEC Max Mamase said on Tuesday.

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

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

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

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

Mamase said the town clerk's future would be determined before Friday.

The town also has an overdraft of more than R1 million, which the bank refuses to increase and its expenditure is almost R4 million more than its R7 million revenue base.

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

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

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

Mamase said: "We are giving this money to the municipalities but this situation cannot continue.

All are bankrupt. We can't keep giving money when the towns do not have proper financial management systems."

He said the allocation to floundering Transkei towns was taken from a R44,2 million allocation from central Government which had been spread throughout the province. — *Ecna.*

By CLAIRE ROBERTSON

ALL SA'S FAULT ... former Transkei leader Bantu Holomisa Picture: JOHN HOGG

(49c)

# 'Overdraft crisis' led to homeland's R1-bn debt

ST 5/3/95

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

Reacting to last month's allegations by President Nelson Mandela that "millions, if not billions" of rands had been stolen from the Transkei by crooked officials, Mr Holomisa said the homeland deficit stood at only R44,1-million when his Military Council closed its books in May last year.

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

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

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

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

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

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

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

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

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

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

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

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

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

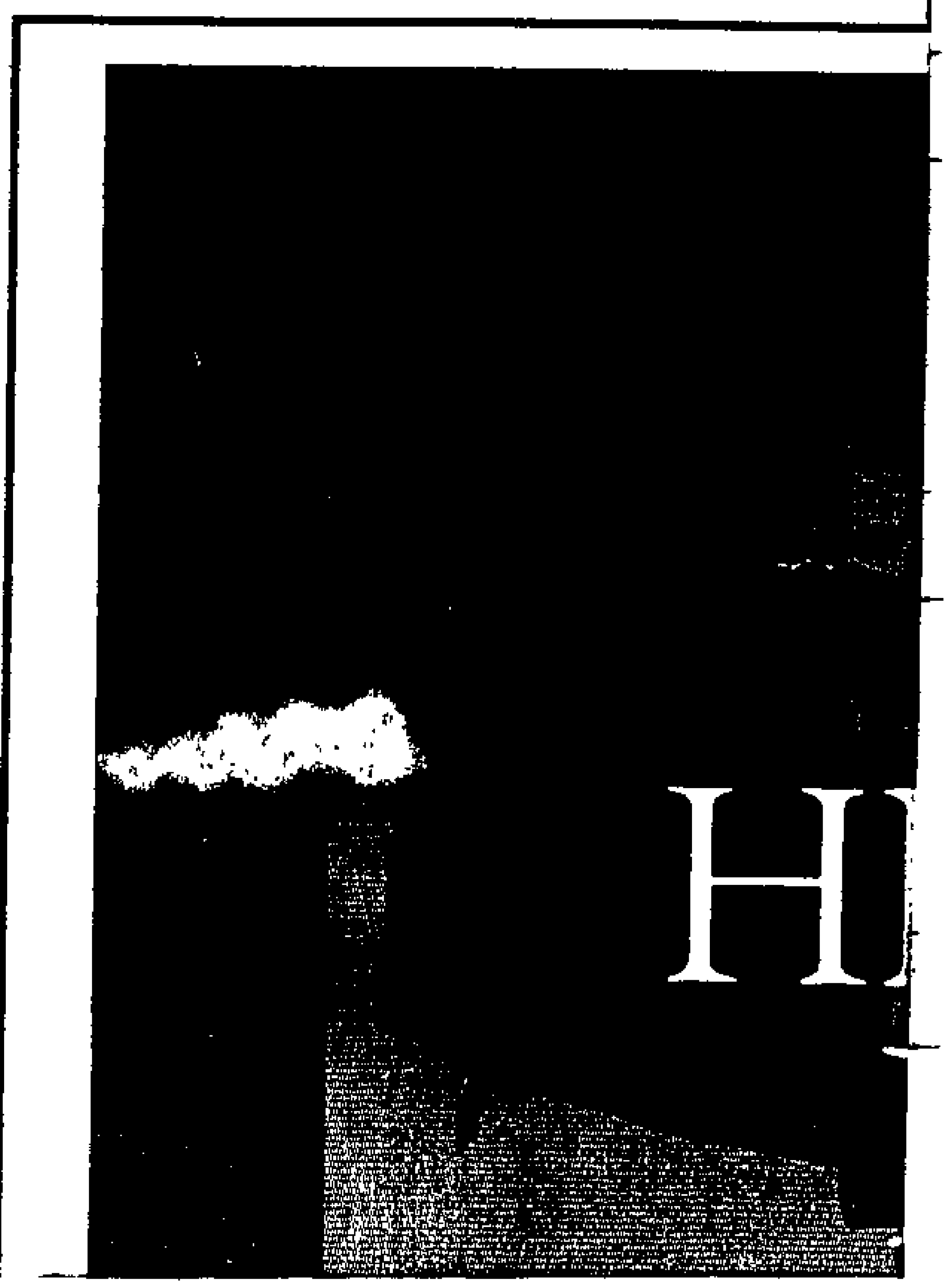
Other nasty surprises Eastern Cape investigators uncovered included:

- R356-million for cheques not yet cashed at the end of March last year;
- R311-million to meet civil service pay adjustments, which the Transkei government had failed to budget for the previous year; and
- R276-million in unauthorised expenditure, carried over for two years.

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

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

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



wm 24/2-2/3/95

# Transkei on the brink of collapse

(49c)

Apartheid policies turned the Transkei homeland into a disaster area which will take years to repair, writes **Louise Flanagan**

IT'S underfunded, marginalised, demoralised, has little infrastructure or communications, and its services are collapsing. It's one of apartheid's worst legacies and it's now the Eastern Cape's biggest nightmare.

It's the former Transkei homeland.

Since the April 1994 elections the Eastern Cape government has slowly discovered the extent of the problems in the former homeland, the most obvious one being the inherited overdraft which stood at R98-million in December.

This week the regional government announced that a commission of inquiry has been set up under acting judge Jules Browde, although it has not yet started work.

Transkei is a graphic illustration of the costs of apartheid. The challenge now is to put it together again. The problems seem worse than those in the three other once "independent or first interim solutions" territories.

The key reason is that Transkei was severely underfunded, particularly during the six years of military government rule under Major General Bantu Holomisa when he continually clashed with then-president FW de Klerk's government.

The whole saga started when we wanted to surround the big fishes," said Holomisa this week, referring to his government's attempts to charge hotel magnate Sol Kerzner with bribery and his clashes with then-Minister of Foreign Affairs Pik Botha.

"When we refused to budge, that was the price we paid."

The price was regular lengthy delays in the transfer of monies from central government and a cut in funding. This meant that less than 10 percent of the budget was capital expenditure.

For a territory which is largely rural, has little infrastructure or facilities, the lack of capital expenditure has been disastrous and will take years to repair.

What services did exist have now collapsed. Unemployment and underemployment was estimated two years ago at 84.4 percent by the Border-Kei Development Forum. Hospitals and clinics do not function. Industrialists will not invest there.

Policing is in crisis and has been for years. Civil servants are regarded as unco-operative and unjustifiably demanding.

The former homeland is now is such a bad way that President Nelson Mandela himself, who was born there, is taking a personal interest in the problem.

The executive director of the Transkei Chamber of Industries, Les Holbrook, has lived in the industrial town of Butterworth for 13 years and seen the Matanzimas and Holomisa come and go. Holbrook agrees that underfunding is a key problem.

Bantu Holomisa: 'We were not just sitting there with folded arms'

"For the last five years Transkei hasn't spent a cent on capital projects," he said. "They haven't had the money."

Holbrook does not yet see a light at the end of the tunnel. "The present government has the will but I don't think they have the means (to deal with the problems)," he said.

Holbrook said key problems for industrialists are lawlessness and the unco-operative civil service. "The disobedience of the civil service is unprecedented anywhere else in South Africa."

The postal system has "always been a problem" and telecommunications are "an absolute shambles". Electricity is expensive but power failures in industries are common.

Butterworth, the main industrial area, does not have a transitional local council. Both Butterworth and the Umtata municipalities exist on a day-to-day basis.

According to the Transkei Development Corporation's senior economist Isaac Ekar, there are currently 79 large scale formal industries in the former territory. Two new companies arrived last year and none left, an improvement on the previous two years when seven new companies arrived but 27 closed down.

There is little to attract industrialists now that the incentive schemes have been abandoned.

Corruption has always been a problem and Mandela himself has commented that there has been "massive corruption in which millions if not billions has been embezzled".

"The records and my track record will show that people were prosecuted and arrested ... We were not just sitting there with folded arms," said Holomisa.

Taxpayers are still paying for crazy schemes inherited from the Matanzima era. Only two days before the April elections an international court ordered payment of a debt of nearly R100-million to an Austrian company for 200 tractors bought by the Matanzimas in the early 1980s, many of which have not been accounted for.

There are between 70 000 to 80 000 civil servants, about half the total of all the four former homelands. Fifty percent of the budget goes on their salaries.

Although Holomisa was in power for over six years he said he could do little to restructure the huge civil service. "I don't say we could not have done anything," he said. "But had I started that (restructuring) during negotiations I would have sent a wrong signal." He did however lower the retirement age by five years. "That was the only thing I could do."

Holomisa says the civil service is huge because it relies on manual labour. There are few computers and messages have to be posted or even hand delivered rather than faxed.

He increased the size of the security forces by several hundred a year, saying this filled existing posts and eased unemployment. The military cost "less than two percent" of the total budget.

Regional ANC president Dumisani Mafu said Holomisa could not do much about the former homeland in isolation from the rest of the country. "He found the civil service there ... It's not his creation," he said.

While the politicians struggle for answers, people in the former homeland feel abandoned and demoralised.

The former homeland is a disaster that took years to create. Even the most hopeful politicians know it will take years to repair.

# A muddy business making RDP work

(49C) Star 20/5/95

**What is the Reconstruction and Development Programme, other than a policy? Where is it? What does it look like? Chief Reporter JOHN PERLMAN went to Ibhayi in the Eastern Cape to see an RDP project for himself.**

Morgan Munsamy steps carefully over the mud-filled trench and heads for shelter as the drizzle starts turning to rain. "Development is not a very glamorous thing," he says.

"It's muddy and messy. Big trenches are gouged into the ground and people complain about mud getting into their houses. When you hear that an area is being developed, you expect to see houses painted and gardens blooming, but it isn't quite like that."

*In development policy the key word is 'incremental' and the key issue is capacity-building*

Munsamy is the project manager of Port Elizabeth council's informal development division (IDD). The RDP head office rates the IDD's work in PE's Ibhayi township as one of its three most effective projects.

It wasn't the best day to be surveying the progress, with the building crews sent home because of the weather. But even on a good day, Munsamy says, there isn't as much to see as some would expect. "All your basic services are underground," he says. "Some people come to us and say: 'You have spent R2-million here and there is nothing to show for it.'"

Providing water and sanitation takes up more than half the R70-million allocated to Ibhayi as one of 22 presidential lead projects instituted to kick-start the RDP.

Buildings would look better than trenches, but the developers in PE are unanimous that you have to start from the bottom. "Services and the transfer of sites are the basis of ownership," Munsamy says. "And if that makes 100 out of 1 000 people in an area take pride in their place, it can lift up a community."

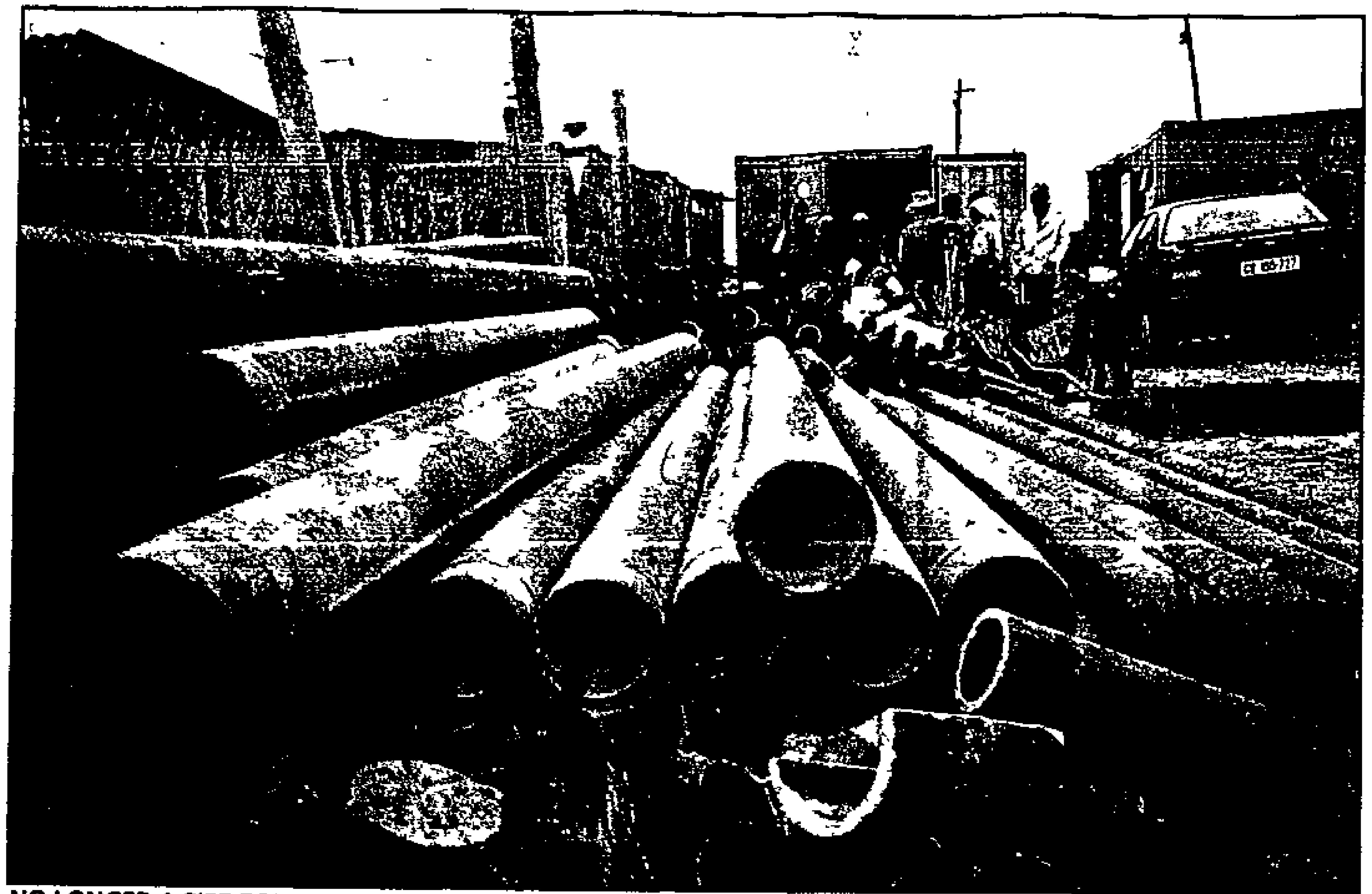
Ibhayi certainly needs some uplifting. Port Elizabeth was the first South African city to form a single city council, just nine days after last year's general election. That meant Ibhayi's problems were now everybody's — no electricity in 80% of the houses, 20 000 homes dependent on bucket toilets, and shacks everywhere. "Every bit of vacant land has shacks on it," says Liz McHugh who heads the IDD. "Even the football pitches."

Whereas Port Elizabeth had spent R1 962 per head of population in white, coloured and Indian areas, the average per capita expenditure in Ibhayi was just R134 a year.

The PE council has been able to move more quickly than most. "Port Elizabeth set up an informal development task group about four years ago — we had a very far-sighted city engineer — we were the first to form a one-city council, and we had already begun to refocus our budgets," says McHugh.

PE's political leadership has quickly come to terms with the difficulties of development, she adds. "Once these councillors have gone through two budgets comparing their wish list with what can actually happen, they can't but realise the difficulties."

But on the streets, progress brings new problems. "The people in the formal houses want parks, play areas and creches for their children (1% of Ibhayi's land is public space)," McHugh says. "Some of them say the shack people must go to make space." Discussion forums have been set up to thrash this out. They have until July to report back.



**NO LONGER A PIPE DREAM:** Foundations for the Ibhayi bulk services project

*PHOTOGRAPH: JOHN PERLMAN*

## *Millions may have been spent in PE's Ibhayi township but most of the work is underground and out of sight*

Even community participation, the most common phrase in any RDP document, is not that simple. In the Silvertown section of Zwide, a six-member implementing committee was elected to oversee the work — "we must wake up every morning and check because people are stealing things", says one of them, Isaac Sive. But some of them left when they found out they wouldn't be paid.

PE mayor Nceba Faku is adamant that this community work must be voluntary. As it is, there isn't a lot to go round. The R38-million allocated for service provision will provide water and sanitation to just 3 000 sites — that's it.

"The World Bank says we're crazy going for waterborne sewage, when ventilated pit latrines are so much cheaper," says the IDD's Harry Singleton. "But waterborne sanitation is what the people want. They say: what kind of toilet do you have at your house? And who are you to tell us what we can afford?"

Faced with these odds, one of PE's greatest assets may be the belief of individuals that little things can make a difference. "I get real pleasure from saving money on a project, from seeing it completed on time," says Munsamy. "And I enjoy seeing people when they turn on their taps for the first time."

People power is a resource Duncan Village has in abundance, and it needs every bit of it. The problems in East London's oldest township are considerably worse than Ibhayi's. And while a unified local council has finally been formed after some bitter wrangling, it is still finding its feet.

That's frustrating for the small group sitting in the Duncan Village community centre. Made up of young people and greybeards, the housing subcommittee of the Duncan Village Residents' Association (DVRA) is trying to get planning permission for a project but they're choking on red tape. "Is this the way the municipality of the future is going to be run?" says Xola Ntiyane, who is chairing the meeting.

Duncan Village residents might ask the same question about regional government. The township was chosen as a special presidential project and allocated R145-million but the money has got stuck somewhere in the Eastern Cape government office. "We have tried to engage the government as much as possible but nothing has come out of it," says DVRA executive member Wellington Toze.

Meanwhile DVRA have been holding meetings to explain housing policy to the community and workshops to hammer out future housing allocation policy. In some sections, residents have been looking at forming "housing clubs" on the stokvel model to try and bring down costs.

The previous government always saw Duncan Village as a "black spot" and tried unsuccessfully to move residents to Mdantsane further out. Thousands of people poured into this toehold near the city centre — now there are shacks wherever you look, even in one of the cemeteries.

In 1993 a development consortium involving DVRA, private contractors and Coreplan, a local development agency, carried out a massive socio-economic survey of the township and formulated a development plan. That formed the basis for the presidential project application, which prioritised service provision, road-building and the building of community facilities.

As in Ibhayi, solutions will create fresh problems. "There are 20 000 units of housing needed but there isn't land for that," says Coreplan's Jaap Geldof. "If you want to give everyone a 200-square-metre plot, then 75-80% of the people will have to leave. You could have smaller plots, higher density, double storeys. But the facilities then needed would require an area equal to the whole of Duncan Village. Whatever density you go for, people will have to move out."

Geldof believes the delay in implementing the presidential project may have some benefits: "The main benefit of delay is that we can build a more solid base for implementation. Hopefully the municipal administration can now get into gear for the RDP."

As in other townships, many people still equate the RDP with houses. "People think the Government is going to build houses," says Ntiyane. "They say they want the four-roomed houses, nothing else, the kind that the old government built."

Geldof puts the government subsidy of R15 000 for low-income families into sobering perspective. "If you can get R5 000 out of the subsidy after meeting land and service costs, you are doing a bloody good job," he says. "That will get you a toilet, a 5 by 6-metre slab, four columns and a roof."

*They say they want the four-roomed houses, nothing else, the kind that the old government built*

That's a modest start, he says, but it's a start nonetheless. "In development policy the key word is 'incremental' and the key issue is capacity-building.

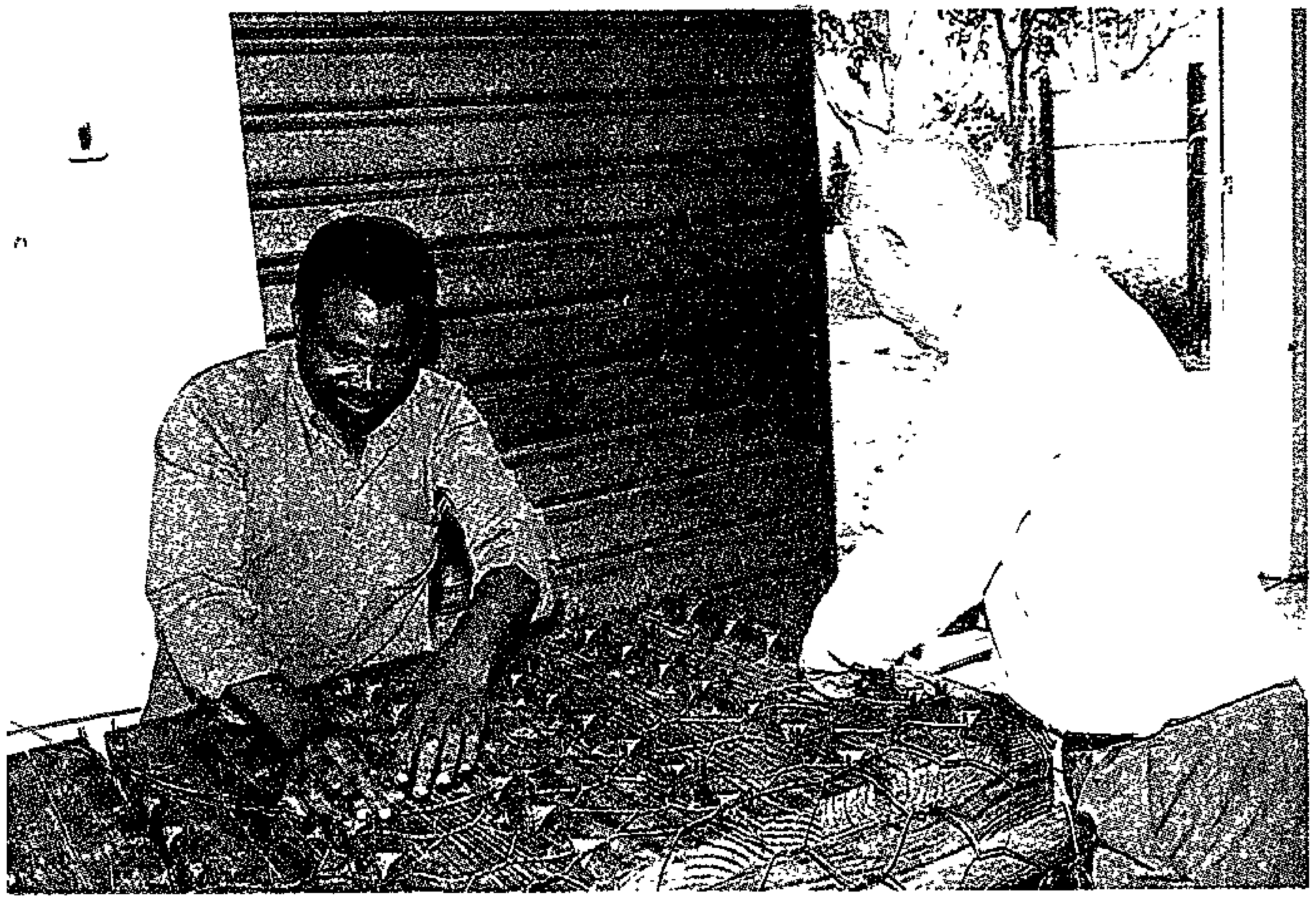
"We have to give that community the capacity in terms of skills and resources to build on what they have got, to take things further themselves. That, at the end, is what matters and not just physical construction."

■ **Next week John Perlman tries to get to the heart of the great RDP debate.**

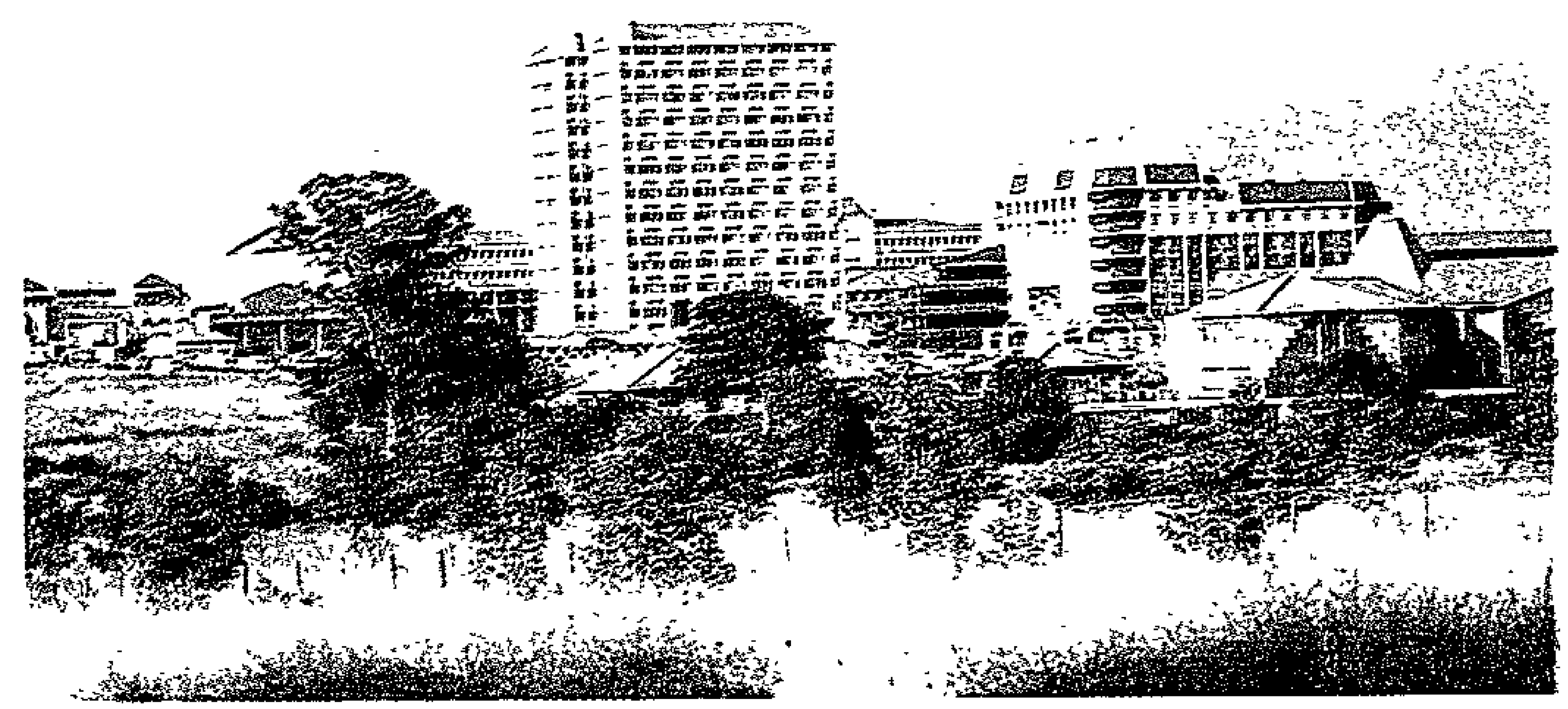
# From parastatal paralysis . . .

(49c) ARG 10/5/95

Successive Transkei administrations had a curious concept of job creation. Often this was done through shaky parastatals, most of which are now bankrupt. This is the second of a two-part series on the new Eastern Cape by JOHN RYAN.



LABOUR-INTENSIVE: Building fences in pedestrian style. But mending them could take even more time. Transkei's parastatal operations were a disaster.



Pictures: JOHN RYAN, The Argus

CITY LIMITS: Bisho . . . where a phoenix will have to rise from the ashes of the homelands policy to the benefit of all in the Eastern Cape.

A FEW kilometres out of Umtata on the road to Engcobo is a settlement where disabled people produce items for the tourist trade. Knitted jerseys, shawls, small pieces of pottery.

The shop offers refreshments, too, but it is not well frequented.

In a shed at the back, four men are making chicken mesh wire on an archaic mould. Two feed the wire from a roll while the others twist it into the grooves on the mould to create the pattern.

It may be labour-intensive but it is a laborious process.

You wonder what area can possibly be fenced in a year this way, and how the project can compete in price with machine technology.

I am reminded of a boast I once heard from Prime Minister George Matanzima. He told me proudly that Umtata had the biggest manual telephone exchange in the world!

Creating jobs was an admirable and necessary aim for the independent Transkei. Unfortunately, successive governments tried to achieve this through half-baked parastatals, finding menial jobs for idle hands which often stayed idle in the security of the position.

Running, and financing, these

In reports now emerging about financial irregularities in the Transkei, the local auditor-general A G Yako claims the TDC has "doubtful debts" which now stand at nearly R97 million.

That assertion is strongly refuted by the TDC directors. Recently, they placed a quarter-page ad in an East London newspaper to challenge the auditor-general's claim.

It was headlined "Angry beyond belief" and took an uncharacteristic swipe at the government of Bantu Holomisa. The audit report, it said, was a smear on the corporation.

and forthcoming and produced documents to indicate that their operation had always been sound and had regularly supplied audits to Mr Yako's department.

I was shown a letter from the auditor-general, acknowledging the TDC's help in producing financial statements for the year ended March 31, 1992.

The document was dated August 12, 1994 — nearly 30 months after the TDC had delivered its statements.

Themba Mathe is the senior public relations manager of the TDC and the person responsible for the

Mr Mathe told me, "The TDC is a well-managed corporation with a strong balance sheet and a healthy cash flow.

"We are self-funding and pay all our own overheads. In fact, we are the only corporation in this region still able to spend funds on development projects."

He said it was entirely unfair to blame the TDC for the financial problems of the former homeland government.

In spite of the economic recession of the early nineties — and a negligent amount of government funding — the corporation had in-

"And we never borrowed anything. Our assets are unencumbered. The TDC is not in the red and never was."

Much of the TDC's income was derived from property rental and management.

The corporation was being blamed for the failure of the Wild Coast hotel industry, over which it has exercised control.

"But the collapse of the hotels came about because of political turbulence. Tourists were harassed and occupancy dropped. It had nothing to do with us."

The parastatals had become an-

sponsibility but we weren't given government funding for years. We received no share capital from the Transkei government. Yet in the end we were getting almost daily interference from the politicians.

"We are still forced to subsidise loss-making projects that are not our core business, just to try to maintain economic stability and jobs."

Would the Transkei's missing millions ever be found? Would anyone be brought to book over the corruption and mismanagement?

"I sincerely hope so," he said, "but I have my doubts. If the gov-

# . . . to a Ray of hope

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

RAYMOND Mhlaba was a Rivonia trialist with Nelson Mandela, Walter Sisulu, Govan Mbeki and others.

If one did not know, it would almost be possible to tell that from the cadence in his speech, the deliberate laying down of words, one pace at a time.

The Robben Island Class of 1963 and after seem to have developed a voice-print all of their own.

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

His job is rather like getting into the same bed a prim father and two wayward sons, one of whom had just hocked the family silver.

The old Eastern Province, the Ciskei and the Transkei are indeed odd and problematic bedfellows. Mr Mhlaba acknowledges the difficulties but is bullish about the prospects.

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

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

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

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

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

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

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

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

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

"The region is the biggest wool-producing area in South Africa, it produces more than 90 percent of the country's mohair, most of the pineapples and practically all the chicory.

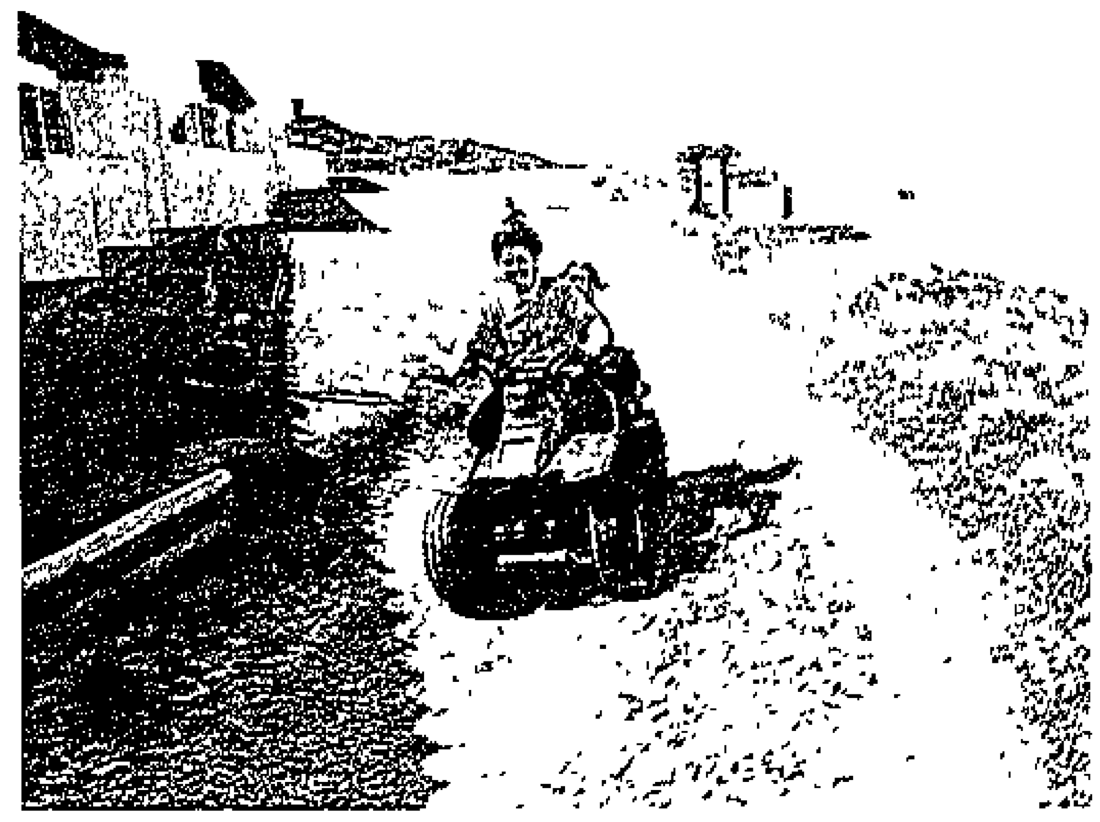
"It's the second biggest province involved in the ostrich industry and produces a high percentage of South Africa's meat, vegetables and a considerable portion of its citrus exports. We have a lot to lose if we don't treat the established farmers properly."

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

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

"Merely to give a man a farm is to give him poverty. The emphasis must be on the redistribution of *agricultural production opportunities*. Land acquisition must be accompanied by development plans for every farming unit that is 'redistributed'."

As an initial target, the government plans to settle 2 000 viable small-scale farmers on land over the next five years.



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

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

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

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

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

"Obviously, we will have to consider whether we continue with these concessions," says Mr Mhlaba. "We would like to maintain them but that wouldn't really be fair on the other provinces. I have raised the matter with the other premiers and the debate is going on."

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

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

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

So the struggle will go on to realise the Eastern Cape's true promise. But at least it should happen, unencumbered by the dead hand of a Matanzima or the manic diversions of a Sebe.

# E Cape granted R600m advance

CT 9/5/95 (49e)

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

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

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

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

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

"If the government were to do nothing else but to address unemployment in the province, a giant step will have been taken in addressing the real needs of our citizens." — Sapa

# PPC ready to invest R750m in east Cape

B/Day 25/5/94

Own Correspondent

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

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

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

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

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

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

The report is not yet complete, but PPC says an acceptable source would assure the long term future of the Port Elizabeth factory and create the possibilty of a new kiln. (49C)

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

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

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

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

Cement which could not be produced in the Eastern Cape would have to be sourced from the Northern Cape. "This is creating jobs and wealth outside the East Cape region," he said.

# E Cape worst hit of poor provinces

Sowetan 1/6/95

(49C)

## ■ POVERTY STRICKEN Nine million children live in dire poverty:

By Josias Charle

THE EASTERN CAPE is the most poverty stricken region in the country and Gauteng, while being the richest in per capita terms, is fourth on the list of poor provinces in South Africa, according to a survey.

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

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

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

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

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

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

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

### Children suffer

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

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

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

It was also found that less than 30 percent of the total income accrues to blacks, in spite of the fact they constitute more than three quarters of the population.

> 'The poverty problem is small in relation to the size of the economy, but the enormous number of people involved makes its eradication a huge task'

EASTERN CAPE DEVELOPMENT

# BIG BOYS COME A COURTIN'

FM 5/7/96 (49C)

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

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

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

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

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

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

"But we are looking at the possibility of


an industrial harbour development at Coega and this could fit in with several proposed industrial projects in the immediate vicinity. These include the M&R steel complex, PPC's proposed cement plant, Gencor's zinc plant and other industrial investments," says Jansen

He adds the Coega harbour will have to be built on the site of the existing salt pans and will include a breakwater and new quays for future volume shipping Construction cost will depend on the nature of the seabed — but a figure of R750m has been mentioned "Hopefully, we can look at construction being started within the next two years, subject to approval by Transnet, the provincial and national governments "

And, says PE's municipality marketing manager Andre Crouse, the city's 80 km metropolitan waterfront is well-situated for expanded operations Its 240 000 containers/year capacity terminal could easily be expanded to 600 000/year by the addition of a few cranes

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

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

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

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

While wary of disclosing more details of the steel project, Wilde confirms that the investigations will look at the possibility of coupling the potential R3bn hot-rolled, thin-gauge steel plant with an



P.T.O.

## All officials 'must reapply' for jobs

# Eastern Cape govt plans big cutbacks

(49c)

BD 24/7/95

**David Greybe**

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

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

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

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

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

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

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

A thorough audit by two private firms of the Transkei government's 20 departments, Ciskei's 19 departments and the Cape Provincial Administration would be completed by the end of November. In some instances the last known audit was done in 1986.

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

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

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

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

# KwaZulu-Natal wants payment for water

Nicola Jenvey BD 11/7/95 (49C) (264)

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

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

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

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

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

A 58 000ha region on the banks of the Tugela River had been identified for agricultural development, particularly high-intensive farming. However, funding to develop the infrastructure was not available.

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

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

Continued on Page 2

## Water

(264) (49C) BD 11/7/95

Continued from Page 1

must be done about it."

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

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

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

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

● See Page 5

# E Cape council to aid recovery

(49E) CT 1/8/95

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

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

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

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

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

(49c) Sowetan 8/8/96

# E Cape faces huge task

## Overcoming the apartheid-induced problems dumped on the area

THE Eastern Cape, with the help of national RDP funds faces the daunting task of developing two neglected apartheid-created bantustans where poverty is rife

And experts say control over the provincial budget are insufficient to protect RDP funds from disappearing into a bottomless pit should they be invested in the region

That the Eastern Cape urgently requires development is beyond doubt The province is often at the bottom of the development barometer, according to Development Bank of Southern Africa statistics

A 1996 report from the Central Statistical Service shows the Eastern Cape's human development index to be the lowest in the country The index takes into account life expectancy at birth, adult literacy and the level of education and income per head

Premier Raymond Mhlaba, in the preface to a Reconstruction and Development Programme document last year, said "The development challenges in the Eastern Cape are daunting, especially because this region has been the dumping ground of apartheid induced problems for decades"

The biggest challenge lies in the underdeveloped former homelands of Transkei and Ciskei, according to Eastern Cape Social Economic Consultative Council head Nthobise Jonas

But there is light at the end of the tunnel

Some R800 million from the RDP fund has already been allocated to projects in the Eastern Cape, and the presidential lead project has pledged R1 2 billion to the former Transkei over the next two years

In the former Transkei, the presidential lead project and the help and expertise of businessmen have been enlisted to ensure efficiency and control.

Deon Ramoo says the project is aimed mainly at speeding up delivery in the region and developing infrastructure

Port Elizabeth Chamber of Commerce chairman Kevin Wakeford says several of the chamber's members are involved in joint development projects as part of the programme

### Thrash out solutions

"The basket of crises inherited from the homeland system has also been a strength in that the government has had to rely on other sectors to thrash out solutions," says Wakeford

But the concern is on the continuous uncovering of corruption that is costing the province millions of rands

However, public works MEC Thobile Mhlahlo says RDP funds are protected by standard government fiscal procedures, which he says have no loopholes for mismanagement.

"We have never failed to account for a single cent (of RDP money) despite all our problems in the Eastern Cape," Mhlahlo says

Eastern Cape premier Raymond Mhlaba says his province is facing a daunting development task.

But Mhlahlo's spokesman, Jacques van Zuydam, admits that control loopholes in the primary school feeding scheme had resulted in fraud involving R2,4 million last year

Six people have been arrested in connection with the Eastern Cape feeding scheme fraud, in which pupil numbers were allegedly inflated, invoices duplicated and cheques forged

Van Zuydam says the loopholes have been eliminated and control measures strengthened in conjunction with the province's appointed banking institution after the incident

Health Commission chairman Judge Willem Heath has criticised the provincial government for the lack of control over the issuing of cheques and provincial auditor general Chris Oosthuizen in a recent report pointed out several loopholes in the management of finances

Forensic accounting company KPMG's Herman de Beer says RDP funds are especially susceptible to white collar crime and requires "incredibly good controls"

"While the implementation of RDP projects through line-function departments would help fiscal control, corruption might still occur in the allocation of funds as officials are dependent on advice from consultants and stakeholders in the community" says de Beer

"Corruption could devour us That is the problem when it becomes the norm like in some African countries We are not yet there but we are on our way"

National Party MPL Billy Nel accuses the ANC-led Government of handling the RDP with a "shotgun attitude"

"We are sitting on the empty shell of our RDP and there are many disgruntled, unhappy and hungry people in the Eastern Cape"

Nel says the province was losing money and entrepreneurs are avoiding the region because of bad management

Experts agree that the province's potential will only be realised if the provincial government is seen by local and foreign industrialists to be cracking down on corruption *Sapa*

# Public service hinders control

THE Eastern Cape's struggle for financial control is hampered by the sheer size of its public service, which analysts say the ANC-led Government is reluctant to stream line for fear of losing support particularly in the former homelands

The provincial government has admitted it does not even know how many people it employs

Public Service Minister Zola Skweyiya in December last year said the Eastern Cape administration could be reduced by 20 000 posts without affecting services

But the province has missed the March and April deadlines for submission to the National Public Service Commission of estimated figures of the number of public servants required

### Main problem

The SA Public Servants Association says not enough progress has been made to meet the end of August deadline

The main problem, government officials say, is that they are unable to establish the actual number of public servants in the province due to lack of computer records in Transkei and Ciskei

Last week, Skweyiya intervened in the granting of a tender to do a head count of public servants after allegations of salary payments to "ghost" employees

Provincial Public Service Commission permanent secretary Danie Bezuidenhout says a new computer system that will minimise fraud will be in full operation by November, once officials had been trained

The government says it has addressed the issue of down-sizing the province's civil service

Public servants have been informed of voluntary retrenchment packages, transferrals and opportunities in the private sector

### Right sizing

Eastern Cape Democratic Party leader Eddie Trent is however critical of government's efforts

"After 24 months and a lot of talk about right sizing we are yet to be told what the right size of our civil service should be let alone how many people are currently working for us"

Conrad Robertson of the Institute for a Democratic Alternative for South Africa says most people in the former homelands were relying on income derived from the public service

Rationalisation could result in unemployment figures going through the roof and negatively affect the ANC's support base Robertson says *Sapa*

# Ciskeian white elephant stirs from slumber

BD 20/9/95 (2&B) (49C)

**Kevin O'Grady**

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

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

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

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

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

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

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

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

Infrastructure at Port Elizabeth Airport was in place and flights could start as soon as international airlines committed themselves to the idea.

# Debt: Govt to help E Cape

CT 25/9/95 (49c) (353B)

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

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

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

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

## 'Agreement'

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

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

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

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

He told a rally of about 2 000 people the ANC had involved all languages and races in the national and provincial governments. — Sapa-Reuter

# Sugar beet plan could solve job crisis

(49C) (SUGAR)

**Kevin O'Grady**

BD 21/9/95

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

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

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

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

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

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

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

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

# IDT has healthy finances after five years of progress

BD 21/9/95 (297)

**Edward West**

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

At the IDT's annual review, Mehl said the R2bn grant had been supplemented over the past five years with R1,3bn by investing the grant, R25m in1993 from the sale of strategic oil supplies and R70m in the past year through the public works department for the IDT's community employment programme.

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

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

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

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

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

By the end of this year the IDT hoped to have funded the building of 300 new clinics in rural areas, for which R90m had been earmarked, while R115m had been granted over three years to development-related welfare projects.

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

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

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

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

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

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

# Govt to help pay R9,9bn

(49C) (~~253B~~)

**Kevin O' Grady**

BD 21/9/95

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

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

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

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

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

# Debt-ridden parastatals face closure

(2B) BD 21/9/95

Kevin O'Grady

(49C)

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

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

"We don't know yet what we're going to do but we have to rationalise, that is for sure.

"We're spending a substantial portion of our budget financing these organisations and they are spending the money on salaries .. the situation cannot continue," he said.

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

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

# Call for help on E Cape financial crisis

Star 7/9/95 (49C)

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

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

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

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

"The Eastern Cape problem is bigger than the Eastern Cape."

While other provinces were moving forward, the Eastern Cape was moving backwards.

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

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

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

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

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

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

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

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

He added: "Who will challenge me when I say civil servants in many offices are simply doing nothing?" – Sapa.

# Mandela upsets T'kei tax ruling

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

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

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

"The government cannot allow tax collection to be interfered with." CT 16/9/94

He stressed that all employers would be required to make the necessary deductions. 5

A source in the President's Office said the source of the problem lay in Transkei, where the old administration had decided the transition levy should not apply. (49C)

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

He was in the process of appointing a judicial commission to investigate the salary position in Transkei.

# Go-ahead for small business Bill

BD 29/10/96

**Tim Cohen**

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

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

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

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

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

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

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

The body should provide actual assistance to emerging entrepreneurs such as business loans, training, counselling and mentorship rather than being a referral point, he said.

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

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

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

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

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

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

## Attorneys hit out at motor fund

BD 29/10/96

**Linda Ensor**

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

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

Swanepoel said attorneys contributed to the fund's R7,35bn liabilities by charging exorbitant fees. Bobroff said attorneys could not simply charge what they wished but were bound by set fees.

**STOP PRESS**

**Investors make**

## Province jubilant over finances

(49C) BD 29/10/96

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

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

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

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

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

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

Deputy President Thabo Mbeki, Finance Minister Trevor Manuel, Public Services Minister Zola Skweyiya and others have also visited the province this year and expressed concern at its image of corruption and incompetence. — Ecna.

# Initiative to boost E Cape's business

(49C)

Sowetan 9/12/96

A BOLD initiative aimed at wooing investors to the Eastern Cape was launched in East London this weekend with economic MEC Smuts Ngonyama challenging every business in the province to attract one more.

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

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

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

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

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

These included:

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

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

Maclean said Cimec's personnel would move throughout the province next year explaining the benefits of joining the agency. – *Ecna*

# RDP projects gain momentum in Eastern Cape

CT (BR) 7/12/95 (49C)

By Bruce Cameron

Cape Town — The reconstruction and development programme, which was widely criticised a few months ago because of its slow rate of delivery, is showing definite signs of robust life.

It is no longer restricted to a few high-profile "presidential projects" nor is it only something politicians talk about glibly.

The RDP is still hampered by the lack of organisational capacity, bureaucracy and the potential beneficiaries' lack of knowledge of what is available.

As a result, another year of underspending can be expected when Finance Minister Chris Liebenberg reviews the government's economic record for the year in his Budget speech next March. But in all likelihood this will be the last time that happens.

If what is happening in the Eastern Cape is any indication, the programme's problem will soon be a lack of finance rather than an over-abundance.

The main reasons for the change are the recent local government elections and the R15 000 housing grants for deprived families.

A recent visit by Business Report to the Eastern Cape constituency of ANC MP Gill Marcus, better known as the chairman of the parliamentary finance committee, provided evidence that the RDP is set to roll.

Developments in the constituency also showed that the RDP relies not only on government funding and ideas, but is a multipronged approach to enable communities to help themselves.

It is for this reason that the local government elections will play a critical role.

One example has been the problem Marcus has had getting the co-operation of the Algoa regional services council to provide services to new housing areas.

Without bulk services, plots could not be provided to the homeless and no one could spend the R15 000 allocated for homes.

Before the election, officials failed to arrive at meetings and obfuscated. Now after the local government elections attitudes are changing on the side of the deprived and of officialdom.

The deprived no longer adopt a cap-in-hand approach and officials realise they will be called to order.

Heston Gelderbloem, a newly elected member of the Tsitsikamma district council, said at a meeting called to discuss the development of five housing projects in his area. "We are in charge now. They must listen to us."

The problems have been endless in the Tsitsikamma region and if they indicate what is happening in the rest of the country, it is little wonder that the RDP has taken so long to get going.

Marcus said that when she was appointed by the ANC to work in the area she found an acute housing shortage. People lived in dire poverty, with no services, in the forests.

Though there appeared to be large tracts of land, none was available.

The government-owned forestry company Safcol was at first extremely reluctant to provide land and then wanted to embark on a massive resettlement programme that concentrated all the deprived families in one spot.

Safcol finally agreed to provide land, but after months of negotiations the problem was still not over.

Bureaucracy stepped in. The state-owned land had to be transferred to the provincial housing board for allocation to individual families.

The land still remains with the public works department, so no housing applications are possible. Marcus suspects that part of the problem lies in attempts to keep residential apartheid in the area.

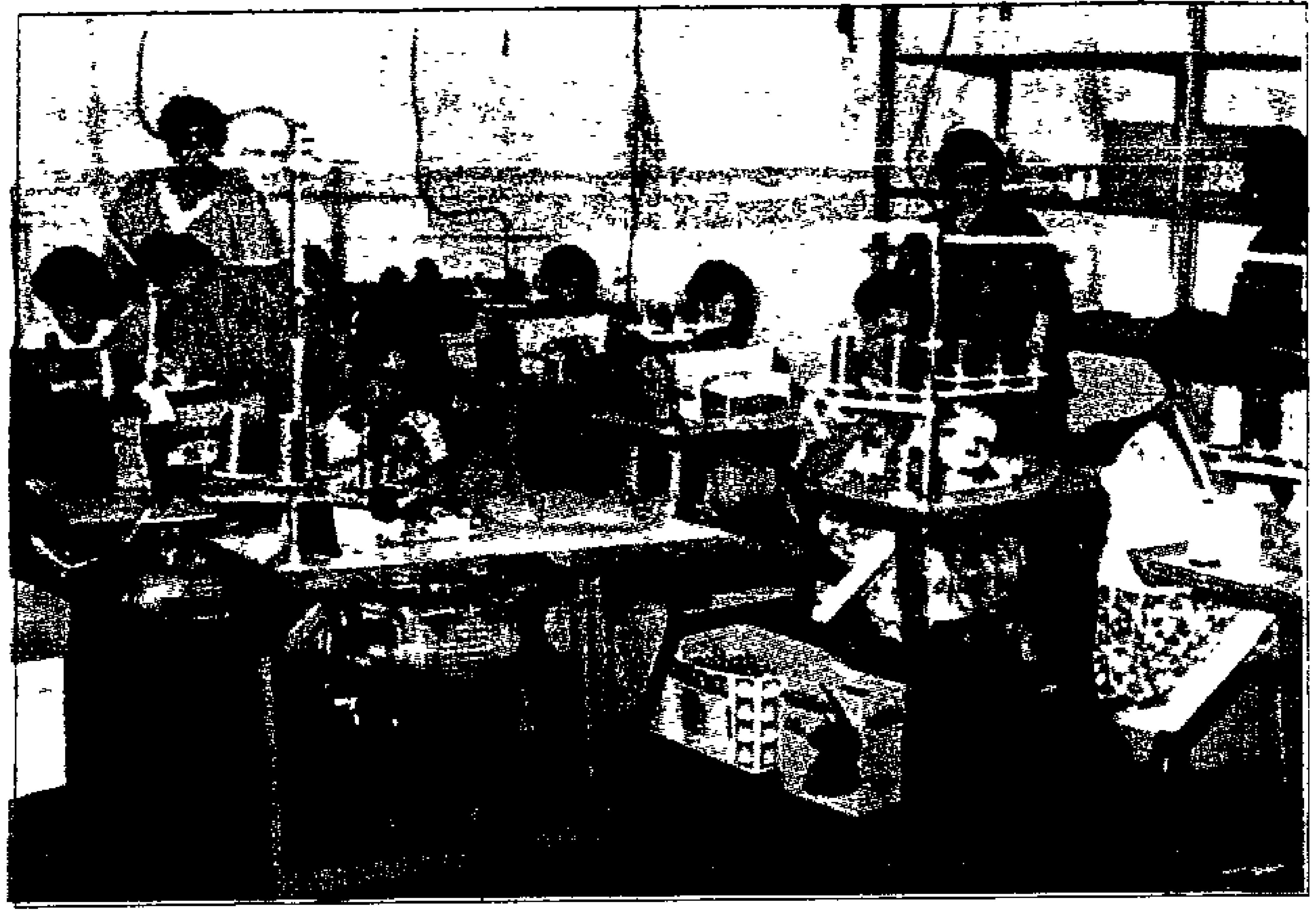
Simultaneously, negotiations were under way with the regional services council to provide bulk services, not only in the Tsitsikamma, but also in other areas.

The council claimed no money was available.

"I know money is available," says Marcus.

It now looks as if it will all be coming together in the new year.

There are plans for five new or extended residential areas providing housing for 9 245 families in the Tsitsikamma.



**RECONSTRUCTION** *ANC MP Gill Marcus with workers and organisers at a small sewing factory that has made a start at ending unemployment in Humansdorp*

## Upgrade

Other developments are planned elsewhere in her constituency and there are plans to upgrade facilities.

Marcus and members of the new councils have to co-ordinate the housing projects precisely to ensure the homeless people do not rush from one area to another.

They are developing a multi-pronged approach to overcome poverty in the region; housing is only one facet.

A trust fund has been established for the area, with a number of sub-trusts supporting a variety of ventures. These include funds to buy land for housing and farming, as well as starting small businesses such as a clothing factory in Humansdorp. Other projects include guest houses.

Finance comes from a number of sources apart from the RDP. Communities are raising money themselves, joint ventures are being established and sponsors are actively sought.

The Liberty Life Foundation financed the clothing factory and Fedsure is financing a training programme.

The most ambitious project is to establish a village market on the edge of the Blaauwkrantz gorge on the border the Eastern and Western Cape.

It will include a market for crafts produced in the area; information kiosks promoting tourism in the Eastern Cape, facilities for hikers, and, later, possibly a hotel and caravan park.

A flea market is already running on the site, which is being cleared while negotiations are under way with a petrol company to establish a service station.

Marcus believes the area's tourism is under-developed, particularly as an employer.

The service centre, as the "gateway to the Eastern Cape", will promote local attractions, from the Addo elephant park to the dinosaur fossils of Graaff Reinet, from the indigenous forests of the Tsitsikamma to deep-sea fishing.

A significant new employer is the RDP project to eradicate alien vegetation in the catchment areas of the province's rivers.

A new harbour project at Cape St Francis will provide safe facilities for the local squid fishermen.

Marcus sees the developments as being driven by the communities.

"People have enormous creativity and a lot of drive if they are allowed to do things for themselves. If the communities don't initiate and drive a project, then it won't happen."

# Idasa calls for help in Eastern Cape

(49C) BD 19/12/95

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

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

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

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

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

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

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

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

It would also minimise the likelihood of politicians and officials using policy and public funds to further their own interests, he said. — Sapa.

ECONOMY – E. CAPE
1997

# Eastern Cape overspends by R2,4bn

(49c) BD 7/3/97

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

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

Mayatula presents the 1997/8 budget in a fortnight.

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

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

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

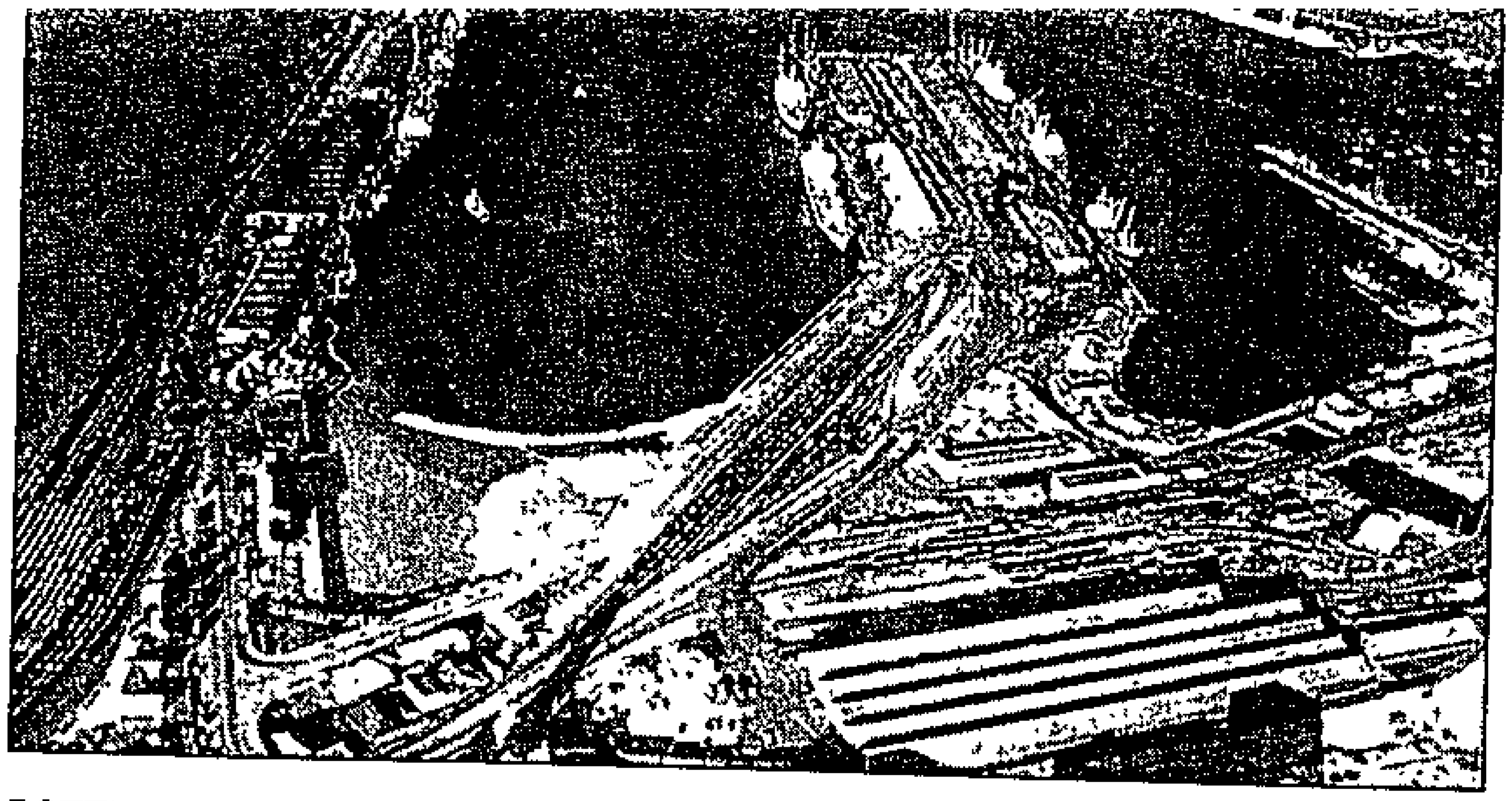
These included severance packages offered to staff at the agricultural department's bankrupt parastatals, totalling R74,9m, while the transport department had to spend R10m when its Eastern Air Corporation folded.

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

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

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

The premier's office, the legislature and the department of safety and security were each less then R10m over their budgets. — Ecna.



**POTENTIAL DEVELOPMENT SITE:** Since this picture was taken in 1975, extensions have been made to Port Elizabeth harbour. Now, the port facilities may be extended further in line with moves to develop the economy of the Eastern Cape.

# Decision soon on E Cape harbour

GRAHAM LINSCOTT CT 4/4/97 (49C)

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

The harbour will serve a new Gencor zinc smelter and associated Kynochs petrochemicals plant, worth an initial total investment of R2-billion. That is expected to double over the medium term.

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

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

But the fear in East London is that if the zinc smelter-petrochemicals-harbour development goes to Coega, other cargo normally handled in Port Elizabeth will go there as well. That would allow Port Elizabeth to go over almost entirely to container cargo, which would mean hardly any freight going through East London, which is already at a low point in tonnages shifted. As one business source in East London has put it: "Then we just switch out the lights." There has been hopeful talk in East London of Malaysian interests establishing an oil refinery, but the big question then is how the refined petrol and diesel fuel would be shifted — and where to? East London does not have a fuel pipeline to Gauteng, as Durban does.

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

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

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

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

East London is known as the "Fighting Port", a name derived from the Frontier Wars of previous centuries. Its next fight could be for economic survival.

# Huge sugar beet project set to sweeten economy of E Cape

(49C)

BY HOPEWELL RADEBE
Provincial Reporter

Star 26/5/97

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

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

The project has the potential to create more than 4 000 jobs. He said arrangements had been made for 1 500 emerging farmers and 200 commercial farmers to plant the vegetable, and the East Cape Sugar Beet Company to harvest and process the crop.

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

# Coega project is costed at R1,5bn

CT(BR) 25/6/97 (49c)

JACK DEWES

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

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

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

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

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

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

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

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

Last Friday, Eastern Cape government said it supported the Coega project. Thozamile Botha, the provincial director-general, called for "everyone's support".

# Alarm over govt view on Coega funds

Ingrid Salgado BD 4/7/97 (49C)

PRIVATE sector stakeholders in the proposed Coega industrial development zone have hit out at a government suggestion that business fund in part the development of the zone and harbour outside Port Elizabeth, estimated to cost R1,5bn.

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

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

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

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

Other projects, such as Kynoch's R540m phosphoric acid plant, depend on the Gencor plant going ahead.

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

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

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

PPC said it was government's role to create an environment in which the private sector could create wealth. "This requires a commitment to provide the initial funding for the Coega zone and port."

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

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

"This should be reason enough to immediately commission the financing and construction of the port," Wakeford said.

# Exhibition helps to boost business between France and SA

BD 14/7/97

EXPORT contracts worth more than R100m were concluded at France Technologies — the French industrial exhibition which ended in Midrand at the weekend — French trade and industry spokesmen said.

More business between the two countries was likely to occur due to the show.

Economic and commercial counsellor of France in SA, Marc Bouteiller, said by Friday last week his countrymen had already concluded contracts to supply more than R100m worth of goods and services to SA companies.

"Equally important are the long-term agreements made at France Technologies. Several French companies entered into partnership agreements with their SA counterparts," said Bouteiller.

"We are aware of various licensing agreements concluded last week, as well as the appointment of SA distributors for a broad range of French products and services."

Bouteiller said the agreements obviously did not amount to one-way trade, but various joint venture agreements, in particular, would lead to increased trade in both directions.

"Whereas a week ago 125 French companies were involved in SA, this figure has increased dramatically following the exhibition, and we expect that once all agreements are in place, the number of French firms in SA could exceed 200."

During the show several French companies received SABS certificates for their products.

The transfer of technological skills and knowhow from France could turn out to be the most significant benefit resulting from France Technologies, said Bouteiller.

The French trade commission also held a series of round tables between French and SA firms during the show and about 450 local firms participated in the discussions, with topics ranging from transport to medicine and packaging.

"SA delegates were very interested in our seminar on delegated management — a model we have developed to enable the outsourcing of various public functions without formally privatising state-owned organisations," said Bouteiller.

"This may well present solutions to SA at a time when privatising is a sensitive issue. I am confident that the seminar series will lead to further long-term agreements between French and SA business"

Alain Dantou, the deputy general manager of the French commission for international commercial events, said about 12 000 SA businessmen visited the five-day exhibition. — Sapa.

# Radio listenership up — SABC GM

ENOCH Sithole GM of the SA Broadcasting Corporation (SABC) said on Saturday that listenership of the corporation's 16 radio stations was close to 20-million, an increase of almost six million on the 1995 figures when the SABC was operating 22 radio stations.

Speaking at the National Arts Festival in Grahamstown, Sithole said SABC television viewership had also increased by about 200 000 since the corporation made channel changes last year.

He said the increases showed that the SABC's policy of increasing local content and promoting SA culture was paying dividends.

Sithole attributed the deficit suffered by the SABC over the past financial year to the fact that changes introduced by the broadcaster through increasing local content had increased production costs. Showing canned television productions from abroad costs about R600 a minute, while producing locally increased the cost to about R2 500 a minute. — Sapa.

# Forum spurns Coega zone

BD 14/7/97 (4 9 ?)

**Own Correspondent**

PORT ELIZABETH — The Eastern Cape Citrus Forum yesterday reiterated its opposition to the construction of the Coega Industrial Development Zone and Harbour, saying the R1,5bn needed for the development should be redirected to another project.

The much talked-about project would not benefit Eastern Cape as a whole and would be detrimental to the citrus industry, it said.

The industry said economic viability studies showed Eastern Cape would earn more money, create more jobs and the taxpayer would have to invest less by combining tourism, agriculture, light industry, fishing, mariculture and casino-based industries.

The citrus industry had identified numerous serious faults in the studies relating to the Coega IDZ as they affected the citrus industry, said the forum.

In a statement from its attorneys, the forum questioned who the major beneficiaries of this investment would be. It expressed wariness that costs would have to be borne by the taxpayer if no private investor were found.

"The more successful the IDZ is in attracting heavy industries, the worse the impact on agriculture, tourism, fishing and mariculture." There was no doubt a 10 000ha industrial development zone would cause far greater pollution in the Port Elizabeth area, it said.

The investment in the Coega IDZ would exclude others. The Port Elizabeth area was characterised by an emphasis on agriculture, light industry and tourism. The development would change this and limit the development of tourism and agriculture, it said.

The Forum has called for more environmental assessment studies to be made before implementation of the project.

The Eastern Cape citrus industry employs 19 000 people and its foreign earnings for this year are estimated at R706m.

If approved, the project will create thousands of jobs.

# IFP joins megacity referendum bid

**Dustin Chick**

THE Inkatha Freedom Party (IFP) joined the call for a referendum on the transformation of Greater Johannesburg into a "megacity", at its Gauteng regional congress held this weekend.

The IFP said the megacity concept would create inefficient local government and limit the rights of Johannesburg citizens to control their destiny.

The IFP also used the weekend congress as a platform to streamline the party in preparation for the 1999 general election. Gauteng media secretary Hennie Bekker said the party believed it could gain 10% of the vote in the Gauteng election and had decided to establish branch cells across the East and West Rands, to develop membership. Bekker said the IFP was trying to change the perception that it was a regional party with its support base in KwaZulu-Natal.

The congress was attended by almost 150 delegates from the province, and was a prelude to next weekend's national congress in Ulundi.

Among the other congress resolutions were:

☐ Greater provincial and local government autonomy, particularly with regard to housing, policing, education and health;

☐ Tougher action against illegal immigrants; and

☐ That the SA Schools Act be amended to allow schools to decide whether to use corporal punishment.

The congress also called for a joint demonstration involving the IFP Soweto youth, ANC Youth League and the Pan Azanian Students Organisation (Paso) against crime and drugs. Bekker said planning for the event was at an advanced stage.

# Safcol

Continued from Page 1

BD 14/7/97

Mortimer said the restructuring, and possible privatisation of Safcol would have a huge effect on the sawmilling industry, and close consideration should be given to unbundling

# Govt backs Coega harbour and industrial project

(49c) BD 16/7/97

**Own Correspondent**

PORT ELIZABETH — The R1,5bn Coega harbour and industrial project was given the green light by central government yesterday.

Months of intensive research and vigorous political lobbying paid off when the trade and industry department announced yesterday that a cabinet committee would work with provincial and local government "to finalise the necessary technical and consultative work for cabinet".

Acknowledging the concerns of the citrus industry and conservation groups, the department said: "Every step will be taken to ensure that the project is environmentally sustainable and that it has no adverse effects on other key industries in the area. Detailed consultations will be held with all key stake-holders."

Although Coega has been given public support by individual cabinet ministers, until yesterday's statement there had been fears that the huge construction bill for the harbour would jeopardise the project.

Yesterday's announcement follows weeks of behind-the-scenes lobbying by provincial government in Bisho and the Port Elizabeth city council.

This week deputy mayor Errol Heynes, chairman of the city council's executive committee, Mandla Madwara, and Coega project director Doug Reed, held talks with Public Enterprises Minister Stella Sigcau, Transport Minister Mac Maharaj and Environment Minister Pallo Jordan.

Although financing of the harbour was not specifically mentioned in the statement, it was implied that this would be dealt with in the fine detail to be thrashed out by the cabinet, provincial and local governments.

Heynes, who is also co-chairman of the Coega IDZ Initiative Company, is confident that government will find the money.

"It is now official that government has committed themselves to Coega happening. Because of this commitment, the whole question of financing must be part of the process. It is obvious that in some way they must contribute financially."

His optimism was backed by trade and industry special projects co-ordinator Paul Jourdan, who said two questions still had to be answered: "Is government money necessary, and how much? That still needs to be determined."

It is understood that future consultations will also explore ways to attract private sector investment into the port.

The Coega feasibility study showed that the port and infrastructural development would enjoy a 2% real return on investment if only the initial key anchor tenants, Gencor, Kynoch and PPC, built plants in the development zone.

Any additional industrial development would add exponentially to the profit and make the investment more attractive to private sector backers.

Heynes said that government's support for Coega would boost the international marketing drive to attract investment to the industrial development zone.

Madwara was also upbeat. "Coega is irreversible now. It is green all the way. "The ANC is meeting the expectations of our people — creating sustainable jobs — not just for the city, but also for the province."

Heynes said the next step would be the phasing-out of the section 21 Coega IDZ Initiative Company set up by the provincial government to drive the feasibility stage of the Coega project and the phasing-in of a regulatory authority.

**HARBOURS** *Leading projects move nearer to formal approval*

# Coega plan closer to docking

CT (BR) 16/7/97 (49c)

**Jonathan Rosenthal**
INDUSTRIAL EDITOR

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

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

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

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

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

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

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

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

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

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

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

"Once the Cabinet has processed the matter in the near future, further more detailed announcements will be made," the trade and industry department said.

# Coega harbour funding talks

BD 18/7/97 (49C)

**Own Correspondent**

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

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

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

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

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

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

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

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

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

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

# Fish River initiative attracts R1,5bn

BD 23/7/97 (49C)

Lucia Mutikani

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

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

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

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

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

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

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

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

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

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

# Unique package for Wild Coast corridor

(~~264~~) (49C)

NCABA HLOPHE

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

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

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

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

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

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

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

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

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

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

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

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

CT(BR) 26/9/97

# End of Wild Coast road

M+G 24-30/10/97 (490)

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

**Dipak Patel: 'Not economically possible.' PHOTO: SIDDIQUE DAVIDS**

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

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

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

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

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

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

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

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

"The peak debt funding requirement [including interest during construction] is R1,486-billion, with R123-million being funded with equity. Initial annual toll revenue (under a high scenario) is projected at R27,4-million escalating at a real 3% per annum and an inflation assumption of 10%. The toll road would not have been able to service its debts.

"The initial debt service payments amount to R329-million compared with the net cash-flow available to service debt of R24-million."

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

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

**'There is no point in the government putting out a half-baked project.'**

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

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

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

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

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

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

"We envisage about R150-million will be spent on road-related infrastructure in the next 18 months. Our re-look at this region with its major economic potential as an agro-tourism initiative shows we still have attractive viable projects which will be presented to the investors' conference on November 7," says Patel.

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

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

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

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

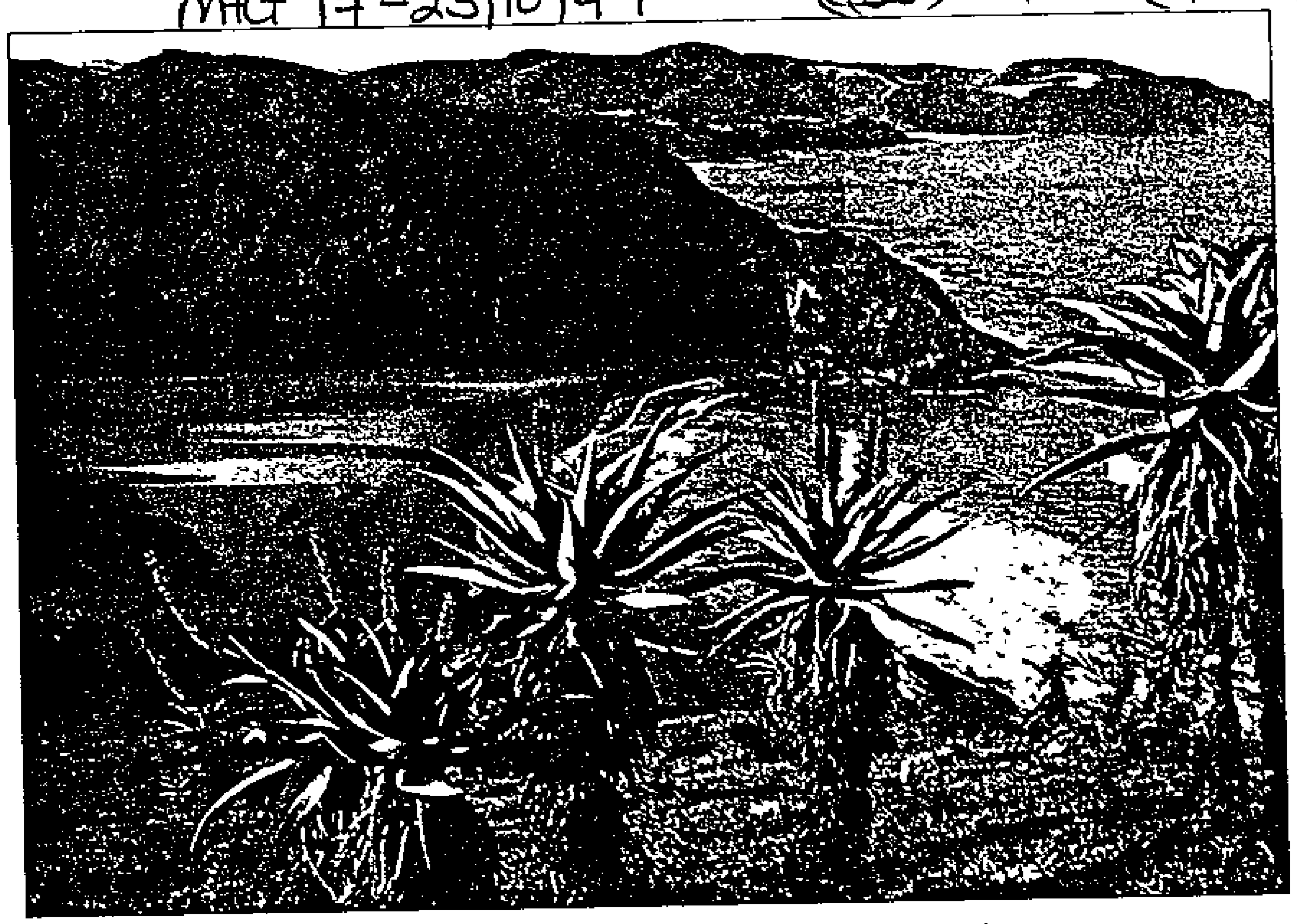
Patel denies that international investors will not be put off by the government's backtracking on the toll-road. He stresses that South Africa enjoys a good international reputation over its initiative-style corridor development, pointing to the transparent adjudication process over the Maputo corridor.

"This points to a government that is willing to package projects for the private sector that have viable returns."

# Row over developing the Wild Coast

MG 17-23/10/97 (49C)

*The government's Wild Coast initiative is being criticised as a new form of imperialism, writes* **Craig Bishop**



Unspoilt coast: Has it already been sold off to foreigners? PHOTOGRAPH: DON KING

Wild Coast communities and environmental experts are up in arms over an investment conference to be opened by President Nelson Mandela in East London on November 7 The conference is being hailed as the first of its kind in South Africa since it will showcase more than 150 real investment opportunities for the private sector

But critics allege that deals have already been struck to fund the R3-billion Wild Coast Spatial Development Initiative (SDI) without community consultation or the completion of the necessary environmental impact studies

This emerged from a workshop organised by the Department of Environmental Affairs and Tourism's coastal management project, CoastCare, in East London this week.

Khulile Radu, a representative for Eastern Cape Economic Affairs, Environment and Tourism MEC, Enoch Godongwana, said that while he was unwilling to pre-empt the investors' conference, he could confirm that "major investment activity by the Asians will be announced in November"

Speaking from Japan, where he is accompanying Minister of Trade and Industry Alec Erwin on a trade mission to East Asia, Godongwana said that Korean and Japanese investors are interested in seeing what investment opportunities will be unveiled at the conference

"In Korea and Japan there is an unprecedented interest in investing in South Africa Most companies want to ease their entry into a new country through forming partnerships with local companies

"Our investors' conference is, therefore, an ideal occasion for local companies to put on show these project opportunities that are available for foreign investors to buy into."

CoastCare's Hugh Tyrrell is concerned that the government may already have cut deals with the Malaysians "If this is the case, the Wild Coast initiative is the newest form of colonialism and economic imperialism." Named potential investors include the United States Trade and Development Agency, Sappi, the German company Gre-Con, Eastern Cape Black Consortium, and a Malaysian consortium

Grahamstown Foundation's director and workshop co-ordinator, Chris Mann, pointed out that a major concern was the strings attached to foreign investment, which meant the Malaysians would be dictating the terms of their investment "The problem comes when the grant is tied to the implementation of government foreign policy."

Senior specialist at the Development Bank of Southern Africa, Jurgen van Zyl, who is contracted to work on the initiative task team, warned that in the absence of environmental data, "policy will be dictated by investment.

"We wish all the environmental impact studies were already in place, but we cannot wait for all this to happen Existing legislation is investor-unfriendly — there are something like 35 different departments to go through, making policy framework-ing an incredibly arduous and inefficient task "

But representative for Deputy President Thabo Mbeki's office, Ricky Naidoo, said that while the 1999 elections made it imperative to see quick development come to the Wild Coast, it was "highly unlikely" that deals had already been struck, due to the African National Congress mandate to show transparency at all levels of government We are not talking development at any cost. I am confident that the people coming in November all have good intentions "

CoastCare's Tyrrell is not convinced He warned that market-driven development "has no inherent social ethic to monitor or safeguard social or environmental concerns It favours those who are already rich because it is about maximising profits. The Malaysians have a particularly poor record of environmental management. It's coming home to them now but those are the ones who are seen to be making the deals Do we want them at our table?"

Rhodes University research fellow, Leslie Banks, says SDIs are "imported, pie-in-the-sky solutions imposed on the Eastern Cape" He argues that the fixation with 'miracle solutions" should be replaced with local economic development

"Eastern Cape towns are isolated economic units, which attract migration from a small local area People become trapped in stagnant pools on the fringes of depressed towns

"There is thus less movement between towns compared with other provinces This has profound consequences for economic policy in the province -- it makes the need for local economic development all the more necessary The cult of relying on foreign investment to solve all the problems undermines this by giving false hope to the hopeless Instead of imposing millenarian models on the depressed economy of the Eastern Cape, it is time the government started paying attention to what is actually happening on the ground."

Van Zyl counters this by saying that a budget has been allocated for local communities to appoint legal, economic and environmental advisers to test policy proposals. He admitted that in the past the SDI team had been seen as secretive, but denied that this was at the expense of communities and the environment.

"In the past the key skill was the need to learn how to mumble incoherently at the right times. Now the question is, can we manage to leverage successful investment in tune with the impact studies being carried out at the moment?

"We will not be selling off the family silver at the November meeting."

But according to Rhodes University's Professor Hugo Nel, the key principle of any SDI is the leverage of investment into identified regions as a precursor to sustainable social and economic development, and community empowerment. "It is not intended to be an all-encompassing integrated development approach, but will stimulate and spur on integrated development activities."

Banks disagrees: "SDIs — like the search for the head of the slain Hintsa — might amount to nothing more than an elaborate hoax."

# No locals around so foreign specialists head for the Cape

(4.9c) BD 4/11/97

BISHO — With few local technically trained people willing to base themselves in the Eastern Cape, 58 German and Canadian specialists, ranging from architects to engineers, will head for the province next year in a unique exchange programme.

Public works and transport MEC Thobile Mhlahlo announced this morning that the arrival of the professionals would save the department, which is desperately short of staff, R11m in consultancy fees over two years.

He said the Eastern Cape government would provide accommodation and transport for technical experts who would stay in the province for contracts lasting six months to two years.

Mhlahlo recently spent two weeks, and R90 000, on a "resource mobilisation tour" for himself and three staff members to the Eastern Cape's twin provinces British Columbia in Canada and Lower Saxony in Germany.

He said: "I went with a programme and list of our staff shortages ... because not a single technical engineer is willing to come to the Eastern Cape."

Premier Makhenkesi Stofile and the provincial executive council had authorised participation in the programme, Mhlahlo said.

Included in Mhlahlo's list of needed staff were three financial directors and three budget-control directors for the department's administration; 10 civil engineers, two mechanical engineers, 10 civil technicians and two electrical engineers for the roads directorate which has machinery lying unused; four architects, eight quantity surveyors, four project managers and 12 engineers for the buildings directorate.

Public works permanent secretary Linda Salie said: "At present we are farming out work (to private enterprise) because we don't have the units. We are also using specialists on menial tasks." She said professionals who left the public service wanted better pay, or enormous consultancy fees, which the department could not afford.

Some Eastern Cape officials will also be sent for training overseas and have been offered bursaries to courses taught in German. — ECN.

CAPE TIMES
THURSDAY, NOVEMBER 20, 1997 ★

NEWS

PLAN TO CREATE 40 000 JOBS

# R300m to be spent on fighting rural poverty

(49c)

**THREE MAINLY** rural provinces will be the principal beneficiaries of a plan to fight poverty. **CHARLES PHAHLANE** of the Parliamentary Bureau reports.

A PLAN to fight poverty and create jobs in largely rural areas — to be funded from R300 million set aside in this year's Budget — was unveiled yesterday by Finance Minister Mr Trevor Manuel.

He said R85m would be allocated to the Public Works Department, R150m to Water Affairs, R50m to Welfare and R15m to Health.

"The government has increasingly sought to make available funds for infrastructure so that there can be an increasing shift away from consumption to capital spending," Manuel said.

Public Works would concentrate mainly on three mainly rural provinces selected in a poverty indicator. Eastern Cape would get 38%, KwaZulu-Natal 33% and Northern Province 29%.

Public Works Minister Mr Jeff Radebe said the projects would be run in close consultation with local governments, which would facilitate them and, in the process, build their own capacity.

The Water Affairs Department would also concentrate its funds in the three provinces, with particular attention to Northern Province, where severe drought is expected this summer. About 40 000 jobs would be created.

"The funding will mean that the number of projects we are involved in will nearly treble to 100," Water Affairs Minister Mr Kader Asmal said.

About 10 800 new jobs would be created in KwaZulu-Natal, 7 700 in Eastern Cape, 5 400 in Western Cape, 4 900 in Northern Province, 3 600 in Mpumalanga, 2 800 in Northern Cape, 1 800 in the North West, 1 200 in Gauteng and 1 000 in Free State.

The Health Department will use the funds for its nutrition programme to extend feeding to families. Health Minister Dr Nkosazana Zuma said any attempts at poverty elimination would help fight malnutrition and disease.

Various projects, chiefly for rural women would benefit from the Welfare Department allocation.

**WAR ON POVERTY:** Cabinet ministers came out in strong support of a national campaign to eradicate poverty in South Africa. Attending yesterday's launch of War on Poverty were Water Affairs Minister Kader Asmal, Public Works Minister Jeff Radebe, Finance Minister Trevor Manuel and Health Minister Nkosazana Zuma.

*PICTURE: THEMBINKOSI DWAYISA*

ANALYSIS

# Schemes which cannot support themselves must die — expert

Specialist writer **Robyn Chalmers** looks at government efforts to woo private investment into its Eastern Cape development package

BD 13/11/97 (49c)

GOVERNMENT's push to promote private sector investment in the poverty-stricken Eastern Cape could prove to be the acid test for the country's spatial development initiatives.

The high-level investment conference held last week in East London attracted an impressive array of potential local and international investors. They heard of a significant number of planned, and some committed, projects.

Much work still needs to be done, however, if the Fish River and the Wild Coast spatial development initiatives are to achieve their aims.

The Fish River initiative is a project of national and provincial governments aimed at expanding and transforming industrial capacity in the Eastern Cape with a particular focus on jobs. The Wild Coast initiative aims to develop tourism, forestry and agriculture opportunities along 280km of SA's south-eastern coastal region.

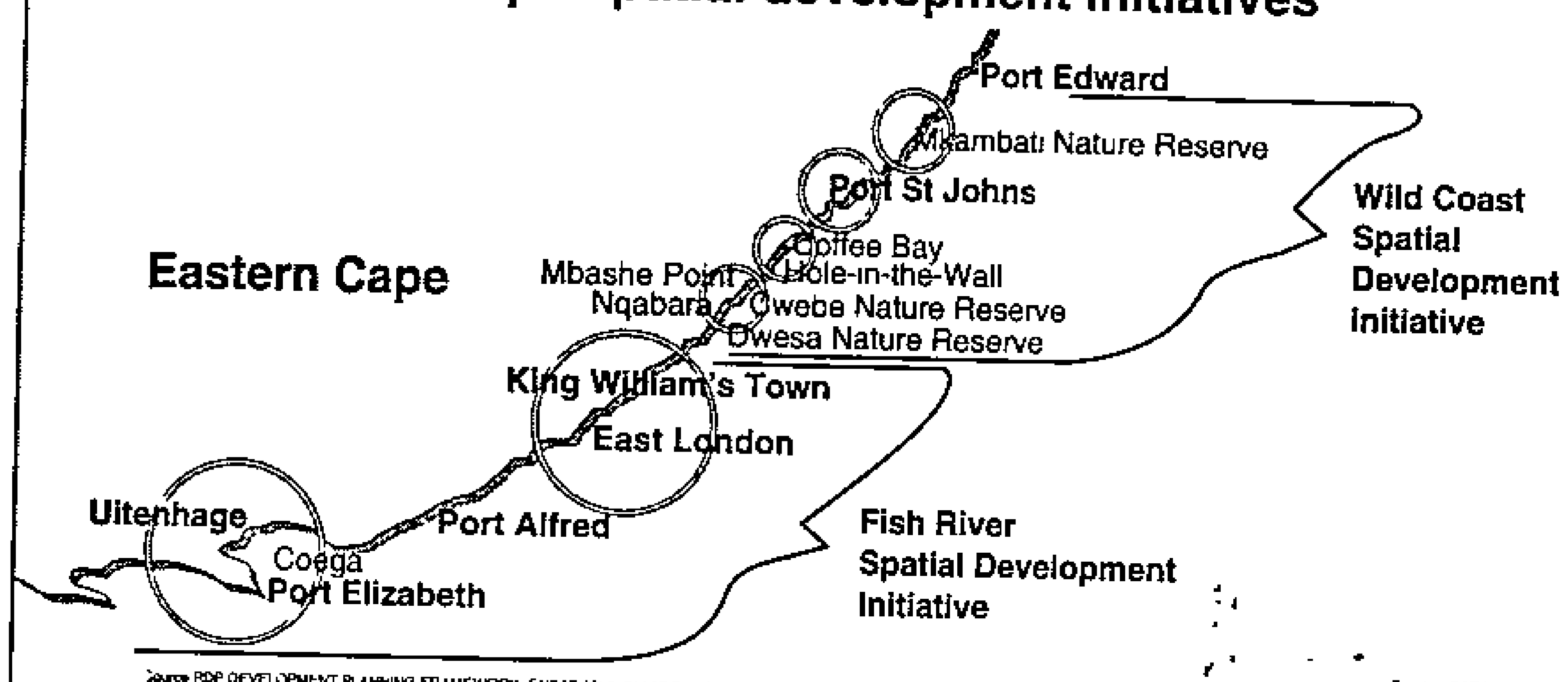
Both projects rely heavily on partnerships between government and the private sector, with the emphasis for private investors being on funding and management skills. Eastern Cape premier Makhenkesi Stofile, and a number of government ministers, emphasised at the conference that the state would do all it could to remove any obstacles to investment and provide an enabling environment.

Ultimately, government may find it has to offer more than just an enabling environment to attract major investors to the province.

There are compelling reasons for government to focus on the Eastern Cape. It is home to 7-million people — or 16% of SA's population — and contributes about R30bn or 8% to national gross domestic product, with the potential to substantially raise this figure. Stofile notes that the bantustan system left the province with a legacy of 150 000 civil servants, collapsing infrastructure in many areas, frighteningly high poverty levels and vast areas where communities have not seen basic services such as water, sanitation and roads.

On the plus side, the province has a rich agriculture sector, a spectacular and largely unspoilt coastline — particularly along the Wild Coast — unexploited areas for the development of large-scale forestry and good infrastructure in the major towns of Port Elizabeth and East London. The challenge facing government now is how to attract private sector development that will boost the tourism, industrial, agricultural and forestry sectors.

Eastern Cape spatial development initiatives




Source: RDP DEVELOPMENT PLANNING FRAMEWORK, ENPAT 1996 ENVIRONMENT CSIR, TRANSPORTek CSIR, LAND AND AGRICULTURE POLICY CENTRE, DEVELOPMENT BANK OF SOUTHERN AFRICA — Graphic: SARAH EVANS

Trade and Industry Minister Alec Erwin describes the spatial development project as a way to concentrate limited state resources on the provision of hard infrastructure in such a way as to leverage maximum private sector investment through public-private partnerships. To achieve this, more than 150 proposed and committed projects totalling around R12bn were laid on the table at the conference, headed by a R2,7bn zinc smelter by Billiton and a R1,5bn deep-water port at Coega near Port Elizabeth.

While these figures are impressive, a significant portion of the projects are still under investigation. There are real concerns from stakeholders about some of the schemes and a number of them could fall through.

The Fish River initiative concentrates largely on boosting industrial activity in the southeast of the Eastern Cape — led by the motor vehicle industry. Combining the spatial development initiative approach with SA's overall competitive strategy has led to the promotion of industrial development zones. The West Bank of East London and land around the proposed Coega port near Port Elizabeth are likely to become the first locations for such zones, and a national framework for their establishment is being prepared by the trade and industry department.

Other areas of focus for the Fish River scheme include agriculture, tourism and forestry.

The Wild Coast initiative focuses more on the tourism, agriculture and forestry potential of the area. A number of anchor projects are being pursued in four key areas — Port St Johns; Dwesa and Cwebe, Mkambati and Mtentu; and Coffee Bay and Hole in the Wall.

Despite the coyness of some government officials on the issue, the state was right to shelve the proposed Wild Coast toll road. As trade and industry department special projects co-ordinator Paul Jourdan says, initiatives which cannot support themselves must die. The toll road, apart from raising the ire of many local residents and communities, was financially unsustainable. It would have entailed the construction of up to eight bridges in hilly terrain where relatively low traffic volumes were expected. And there were grave environmental concerns. In an open letter to government, Bishop Geoffrey Davies of the Church of the Province of Southern Africa acknowledged that development was desperately needed but questioned whether a toll road was the best way to go.

"The only way to develop (the toll road) is by pawning our land to overseas investors ... (but) the local people will be further deprived of agricultural land. Government may make some money, but those people who have been moved off the land will not," the bishop said.

Intense consultation will have to take place with all stakeholders, including investors, particularly on the large anchor projects, if the Fish River and Wild Coast initiatives are to succeed.

What both initiatives have done is to counterbalance the big anchor projects with smaller schemes. It is the smaller projects, particularly in the former homeland areas, that will help develop skills, provide jobs and generally uplift those communities who are unlikely to be directly affected by the development of a large zinc smelter or a toll road, for example.

The sustainability of projects and their job-creating potential are the key to these schemes and if this can be achieved by injecting large amounts of capital into the region, the initiatives have the potential to give the economic development in Eastern Cape the kickstart it so desperately needs.

# E Cape gets R29,5m boost

Sowetan 11/11/97

By Shadrack Mashalaba (49c)

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

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

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

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

# Regions sign deal to boost jobs

(49c)

Sowetan 11/11/97

**By Shadrack Mashalaba**

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

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

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

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

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

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

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

It is the tenth richest region of the European Union

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

It was proposed that cooperation between the two regions should primarily focus on assisting employment growth in the Eastern Cape.

This will be done through the stimulation of economic activities among the disadvantaged communities in the province

# Government goes ahead with R1,5-bn E Cape port development

ARG 8/11/97

(49c)

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

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

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

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

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

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

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

Final details on the port and the IDZ should be made known on December 3, he said. – Sapa

# Eastern Cape gets R12-billion injection

(49C)

The investment signifies the start of a more prosperous era for the battling province, writes DON ROBERTSON

BIG INVESTOR ... Billiton's John Raubenheimer

DRAWCARD ... Nelson Mandela opens the conference

ST (BT) 9/11/97

THE Eastern Cape, one of the country's most impoverished provinces, is in line for a R12-billion investment bonanza which could signal a reversal of the province's fortunes.

Well over 100 new private sector investment projects were announced at a conference in East London on Friday, which officially launched the government-backed development zone initiatives for the region.

Heading the investment package is a R2.7-billion zinc smelter by Billiton and a R1.5-billion deep-water port at Coega near Port Elizabeth.

The conference, which was opened by President Nelson Mandela, also attracted commitment to large agricultural and tourist projects.

Trade and Industry Minister Alec Erwin said the conference had generated 150 projects with a total value of between R11-billion and R12-billion. They should generate 60 000 jobs initially, and 30 000 to 35 000 jobs on a permanent basis. The project would eventually add R4-billion a year to the province's gross domestic product.

The Eastern Cape development initiative is modelled on the successful Maputo Corridor project, which has already attracted about R20-billion of new investments in Mpumalanga province.

The location of the Billiton zinc smelter has yet to be decided but it will be established either at Coega or near East London. Government backing for the Coega port was one of the conditions for the move to PE.

John Raubenheimer, executive director of Base Metals at Billiton, said the zinc refinery, the seventh largest in the world when completed, would produce 250 000 tons of zinc plus 450 tons of sulphuric acid. Raubenheimer says Billiton will have a 40% stake in the plant, the state-owned Industrial Development Corporation 35.5% and Mitsui Mining and Smelting of Japan 24.5%.

Construction at either of the sites will start during the first quarter next year.

Raubenheimer estimated the zinc plant would generate sales of about R1.4-billion a year when in full production. However, because the zinc concentrate would possibly be imported from the US and Australia, foreign exchange of R700-million would be needed for the purchases.

The project will employ 4 000 people in the construction stage, estimated to take two years, and 600 permanent jobs thereafter. It will add 10% to the Eastern Cape's GDP.

The decision by Erwin to back the Coega harbour and industrial development zone comes after months of deliberation on whether government should be involved in funding what is essentially a private sector project.

"Cabinet has decided that we should proceed with this project and complete all the work to bring the project to fruition," Erwin said.

Cabinet finalisation is expected on December 3 and work on the harbour will begin early in 1998.

Water Affairs and Forestry Minister Kader Asmal also confirmed that state-owned forests would be made available for private sector use.

"We will make the timber that is currently held by the SA Forestry Company and the forestry department available to the private sector. However, the land will not be alienated and will continue to be held by the state."

Asmal said the planting of new forest could double the plantation harvest within 15 years, providing a springboard for renewed industry development. He said a world scale newsprint mill with an investment of about R1-billion would be a feasible investment project.

A second option was a board mill or plywood mill requiring an investment of about R500-million.

On the industrial front, SA Breweries operations director Rob Childs said it was finalising plans for a new R750-million brewery in the area.

Other projects announced included a R40-million Regent Hotel in East London, backed in part by funding from the IDC and Absa, and a R12-million ostrich breeding farm.

A number of new tourism ventures on the Wild Coast were also announced despite a recent government decision not to proceed with a new national road along the coast.

The motor manufacturing and motor parts industry, which traditionally has a strong presence in the Eastern Cape, also chipped in with a number of projects, including a R124-million automobile seats cover factory.

Delta Motor Corporation said it would spend R1-billion on major projects in the next five years.

Volkswagen SA managing director Heinrich Holtmann told the conference that his company would be boosted by new export orders. After an initial export order of 950 Golf GTIs to the UK, it has been asked by the parent company to provide a further 4 500 units. A similar order of 97 Audi A4s to Australia would be followed by a further 500 in 1998.

UK group Rolls-Royce confirmed that it was still contemplating a R100-million plant in East London, but that it was awaiting a final decision by SA Airways to use Rolls-Royce engines for its fleet.

# In defence of the Wild Coast project

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

M+G 7-13/11/97 (49c)

**Room for development? Job-creation initiatives will not necessarily sacrifice human or environmental concerns. PHOTOGRAPH: IMAGE BANK**

Spatial development initiatives (SDIs) are a proven means of giving government more job-creating bang for its very limited bucks. It is too important and successful a strategy to be derailed by vested interests and narrow agendas.

The furore around the deceased Wild Coast toll road — which was only a small part of the Fish River and Wild Coast initiatives — shows that, in some quarters, there is very little understanding of the concept. Or the need for trade-offs between political, ideological, environmental and even government interests, in order to create jobs.

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

The initiative approach to economic development outlined below is not a leap of theory on the part of the department. The programme flowed out of the success of the Maputo Development Corridor. That initiative realised $5-billion and has taken on a life of its own in terms of drawing in more investment.

The Fish River and Wild Coast initiatives have about R3-billion worth of investment projects lined up — which could result in about 30 000 jobs — even before the entire package is presented to the investors' conference.

There are eight other initiatives being worked on presently, all based on infrastructure already in place and existing and planned high-value projects.

Many in both the environmental lobby and the labour movement have pointed out the inherent dangers for their constituencies. I agree.

The initiative approach to economic development is new and is developing through practice. The urgency to attract investment into the country and provide jobs can tempt the government to ride roughshod over concerns seen to be less of a priority. However, besides a commitment to consultation with interested parties to try to sort out their concerns, the department is bound by its own belief in progressive environmental and labour practices. Initiatives will not be places where the government will tune down workers' rights to attract capital. Neither will they be places where the environment is sacrificed for industrial development.

While many of the developments, once they are up and running, will be managed by local companies, environmental and labour standards will still be set by the national government in negotiated regulatory frameworks. In any event, environmental and labour practices that fail to meet international norms will count against companies trying to compete globally. If not because of action by the South African government, then because international regulatory bodies will penalise them.

Tourism is a key job creator in all the programmes and every care is taken to ensure that the industrial projects do not unnecessarily compromise the natural environment on which the industry is based.

Basically, the initiatives package bankable investment projects, with state-of-the art infrastructure and an internationally competitive bundle of supply-side measures (tax-breaks and the like).

Where possible, the infrastructure will be financed through a variety of acronyms such as BOT (build, operate, transfer) and ROT (rehabilitate, operate, transfer). These are essentially public-private partnerships through which investors can invest with the government in hard infrastructure projects, such as roads, water supply and ports.

The postponement of the West Coast toll road underlines a basic principle of every project — if it cannot support itself, it dies. This ensures the government's money is used to facilitate the kind of investment that will create sustainable jobs.

By bringing large amounts of capital into sustainable projects in a region, the programme provides a quick, sharp kick-start to economic development. Getting private sector investment to the initiatives is vital because the government has no money and what little finances it has are being soaked up by social and other development demands. Government's financial investment in an initiative is limited to less than 10% of the total amount.

Given that the private sector is also very risk-averse, the government can be reasonably sure that any projects the private sector joins stand a much better than average chance of success. Joint projects also allow the government to tap project management and other skills that reside largely in the private sector.

By sharing some of cost, the government departments involved in the initiatives can spend their money on key infrastructural projects which will make the targeted areas more attractive investment destinations. The departments are also involved in cutting back the national, provincial and local bureaucracy that deters potential investors.

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

Setting up an initiative is a quick process and it should only take about a year from projects being identified to investors beginning to buy into them.

The department accepts that there are many real concerns about initiatives which have to be worked through. However, it must be kept in mind that the programme is here to create jobs, and the deciding factor when balancing the trade-offs between various interest groups must be how many more people will have work because of spatial development initiatives?

*Paul Jourdan is co-ordinator of special projects at the Department of Trade and Industry*

# Neo-colonialism or great leap forward?

(49c)

*The Investors' Conference into the Wild Coast Development unveiled R12-billion worth of new projects but critics argue only a chosen few will benefit, writes* **Craig Bishop**

M+G 14-20/11/97

"The Eastern Cape development train is in motion — don't be left behind," was the advice given by President Nelson Mandela to more than 500 delegates at last weekend's Investors' Conference in East London. Not everybody was impressed, however. The United Democratic Movement leader, General Bantu Holomisa, says the "gravy from this train" will go to "a new black elite, who are being used by foreign multinational corporations to get land under the guise of black-led companies".

Over 150 projects were presented to the delegates, representing Eastern Cape investments totalling R12-billion, which are set to add R4-billion to the gross domestic product (GDP) of the region.

The flagship projects are Billiton's plans for the seventh-largest zinc smelter in the world (at a total cost of R2,7-billion) and a R1,5-billion deep-water port based at either Coega (near Port Elizabeth) or East London.

The zinc plant is expected to employ 4 000 people in the two-year construction stage, and create 600 permanent jobs thereafter, adding 10% to regional GDP.

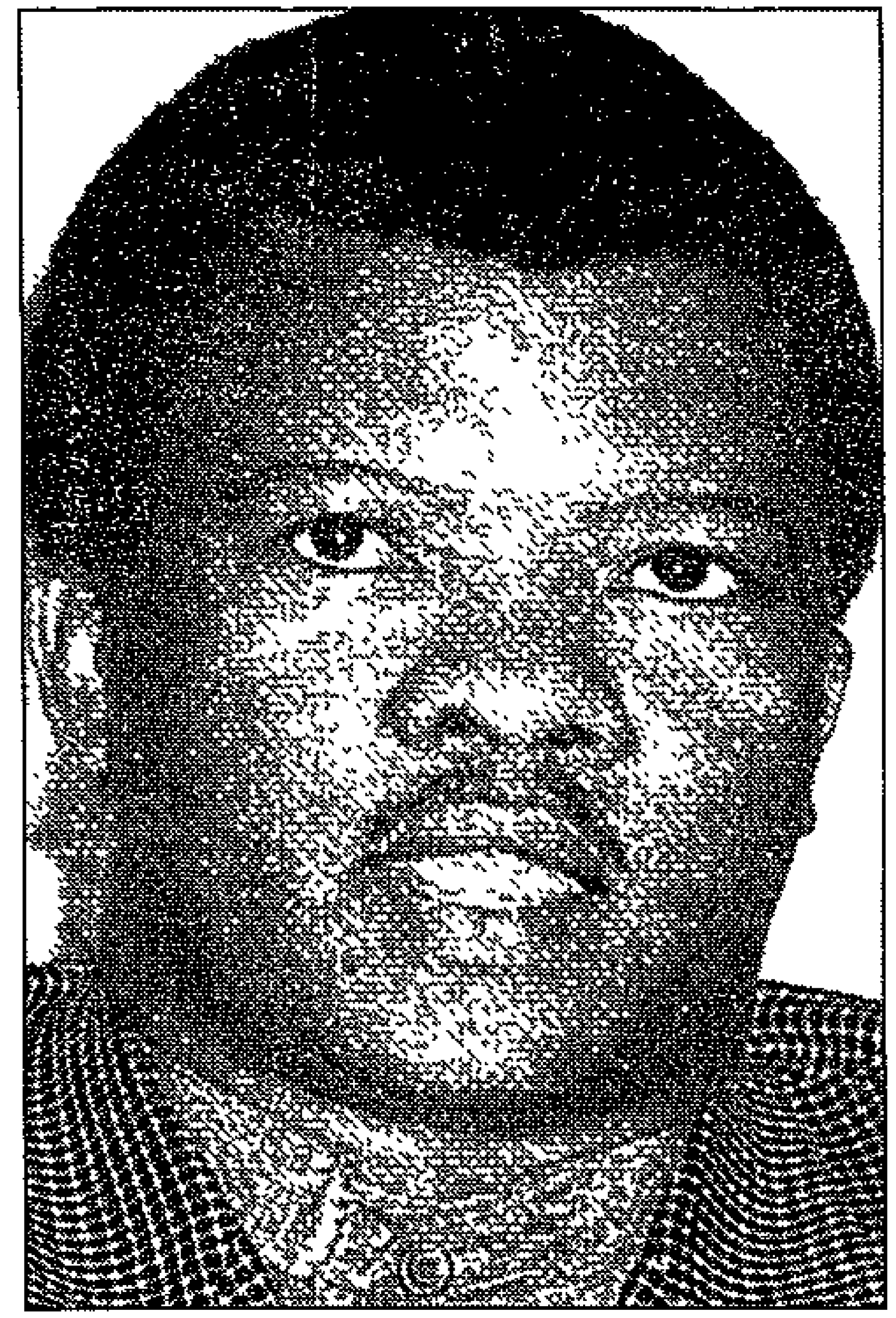
Meanwhile, the Eastern Cape motor industry is set to enter a new boom era. Delta expects to spend R1,2-billion on new products and VW announced its successful bid for a R400-million export order to Britain. Mercedes-Benz SA also announced major expansion plans for the year 2000.

And tourism projects totalling more than R1-billion could double the present value of international tourism once the unrealised potential of the Wild Coast is tapped.

The Eastern Cape projects are poised to deliver a much-needed investment into the country's poorest province, but Holomisa says he is "sick and tired" of the latest trend in ANC-led development.

"SDIs are tantamount to neo-colonialism of a special kind. The so-called empowerment models create a whole lot of mini black Oppenheimers with minimal benefit to the larger majority," Holomisa said.

Meanwhile, Justice Willem Heath, head of two of South Africa's most powerful investigation forces, the Heath special investigation unit and the Heath tribunal, has warned that his work in the province is "far from finished", and that the next few months would see a string of "high profile political surprises".



Holomisa: 'Neo-colonialism of a special kind'. PHOTO: SIDDIQUE DAVIDS

"We are investigating virtually every holiday resort on the Transkei coast. We have warned the initiatives on numerous occasions that they have a serious problem.

"In that area no survey was ever done — no property is registered in the Deeds Office, which means that you cannot sell or lease that land. I can't imagine that any reasonable businessman from overseas would be interested to invest once they know that." But, these same "reasonable businessmen" are integral to the success of the developments. The government can invest only 10% of the total investment required, forcing it to look to foreign multinational corporations for help.

Department of Trade and Industry's special projects co-ordinator, Paul Jourdan, says that the initiative concept is a "proven means of giving government more job-creating bang for its limited bucks".

Jourdan says that the temptation for the government to ride roughshod over community or environmental concerns is "tempered by a commitment to consultation with interested parties", where the government is "bound by its own belief in progressive environmental and labour practices".

But, despite trade minister Alec Erwin's assurances that the government is "being as rigorous as we possibly can" over community consultation and environmental concerns, information-starved communities are still far from being full participants of what Erwin describes as "the shrinking global economy".

Small Projects Foundation's managing director, Paul Cromhaut, has been involved in the establishment of 21 information centres and shops, designed to give access to information on government legislation and initiative proposals so that communities can make informed decisions about their options.

"To prevent total community disruption, we need dissemination of information so there is scope for people to make rational decisions about whether development in their area is good or bad."

Wits University Graduate School of Public and Development Management lecturer, Patrick Bond, says the investors may be looking in the wrong place.

"Studies by the Industrial Development Corporation show that the Eastern Cape is the main provincial loser from globalisation, with all the key sectors except tobacco and chemicals expected to lose output and jobs.

"Since a well-balanced economy requires both backward and forward linkages, it's going to be crucial for provincial officials to replace the top-down megaproject with a bottom-up, basic-needs infrastructure strategy if they want to withstand coming economic hardship."

P.T.O.

# E Cape tourism gets a R350-m boost

Sowetan 26/11/97 ~~490~~ (49C)

By Shadrack Mashalaba

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

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

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

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

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

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

To date R80 million has been spent on the project.

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

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

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

Once completed, the project will boost tourism and fishing in the region. The Port St Francis harbour exports R400 million worth of fish every year to Japan and Europe, said Knox.

# Casinos could net R1,5 bn in investments in E Cape

(49c)

By QUENTIN WRAY

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

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

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

Many more jobs would flow to downstream businesses.

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

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

If licences were allocated to Port Elizabeth and East London, fixed investments of more than R500 million would be made in each of the province's two cities.

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

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

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

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

All casino licences expire on May 10.

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

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

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

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

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

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

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

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

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

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

CP 6/12/98

ECONOMY- EASTERN CAPE

1998 - 1999

# Development body merger on track

BD 16/1/98 (49C) ~~(498)~~ (297)

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

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

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

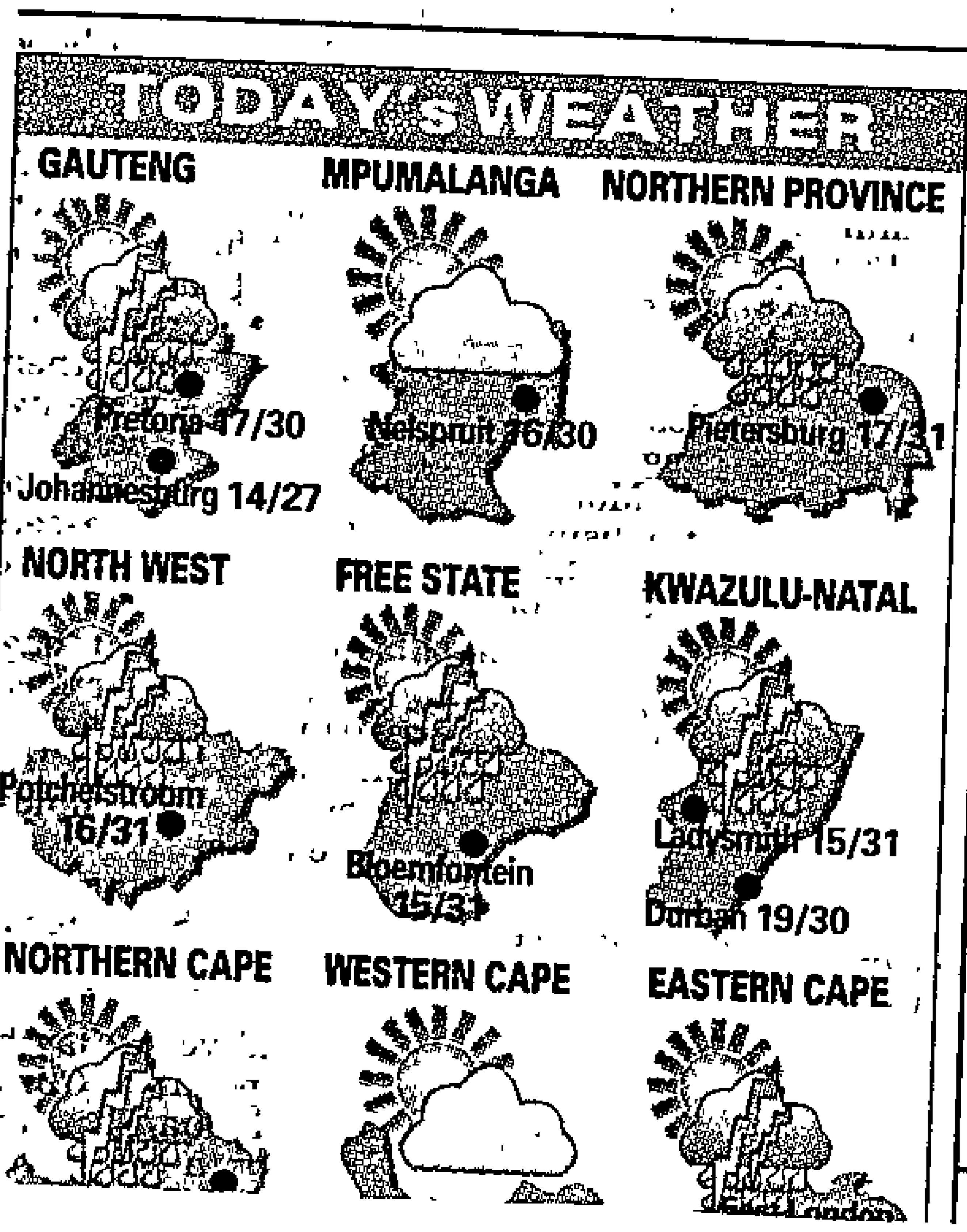
The three will oversee the end of fraud and corruption investigations, and appoint a CEO so the staff structure and appointments for the East Cape Development Corporation can be finalised.

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

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

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

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




# Body to monitor black empowerment efforts

BD 16/1/98

Patrick Wadula

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

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

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

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

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

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

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

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

(49c)

# PE set to become hub of industrial renaissance

ST(BT) 1/2/98

**The coastal city hopes to ride a rising manufacturing wave to prosperity, writes VICKI SUSSENS-MESSERER**

THERE is an optimistic spirit in Port Elizabeth — the city is gearing itself up to become the country's export manufacturing capital. With the lifting of sanctions and manufacturers looking to world export markets, the country is in the throes of a change to its industrial geography.

The government is focusing on Port Elizabeth as a priority area for industrial development. This is part of an overall strategy to relocate industry more strategically in SA. For the first time, with the export of beneficiated products rising, there are signs that the country is becoming less economically reliant on gold.

Penny Hawkins, an economist at the SA Chamber of Business, says industry must become centred around ports and airports, depending on the type of products being manufactured. It is envisaged that Gauteng and the old PWV areas will shed traditionally orientated manufacturing industries and become a "smart" centre — a centre for the manufacture of highly sophisticated, hi-tech products which demand high skills. This would be supported by Johannesburg's infrastructure of sophisticated labour, financial and other services.

Port Elizabeth is regarded as SA's most promising industrial area. Not only is the whole ethos of the city industrial, but it is one of the most stable labour regions in the country. It experiences 70% less than the average number of lost work days in industry in SA, has a low crime rate (30% below the country average) and does not have the political violence of KwaZulu-Natal.

"It is a city with competitive pull," says Kevin Wakeford, chief executive officer of the PE Chamber of Commerce.

From a shipper's point of view, Port Elizabeth is the ideal port of call as it is geographically midway between eastern and western markets. "When bigger ships are introduced, they won't be able to afford to make more than one port stop in SA," says John Turner, the managing director of container shipping giant P&O Nedlloyd. He believes Port Elizabeth will be that port of call.

Things are already moving in Port Elizabeth: 80% of its manufacturers are expecting sales volumes to increase and are either planning to or are in the process of investing capital into plants and equipment.

Wakeford says there has been production expansion to the value of R4-billion in the past two years. This has included investments of R617-million by Delta, R525-million by Duracell and R150-million by Cadbury's.

Port Elizabeth is also the site of a fast-growing export sector, the automotive and component industries. All this has had a spin-off effect. Because of their massive export-related growth, these industries have expressed a need for direct international carrier flights into Port Elizabeth.

The result is a R20-million expansion of the airport, which will have international capacity in two years.

Port Elizabeth's port is also showing growth in activity. Although it is still under-utilised compared with Durban and Cape Town (which are experiencing congestion), the cargo it handled in April last year was up 56% on the previous year. It is showing steady growth in container traffic due to expansion in the motor industry.

To cut down land-side transport costs to and from the interior, the PE Chamber of Commerce has secured equalised rail tariffs to Gauteng.

But perhaps the most significant development planned for the city is a purpose-built, deep-water industrial port at Coega in Algoa Bay. This is 15km from Port Elizabeth and will be one of only three deep-water ports in SA. The others, Richard's Bay and Saldanha, serve mainly bulk carriers and have almost reached capacity.

The Department of Trade and Industry is offering incentives for industry to settle in an industrial zone at Coega. As part of a national plan to create industrial hubs throughout SA at strategic sites, it is offering a tax holiday and a programme which comprises assistance in spatial, sectoral and human resources. A foreign investment grant has also been offered for foreign investors to relocate their plants, machinery and equipment to SA.

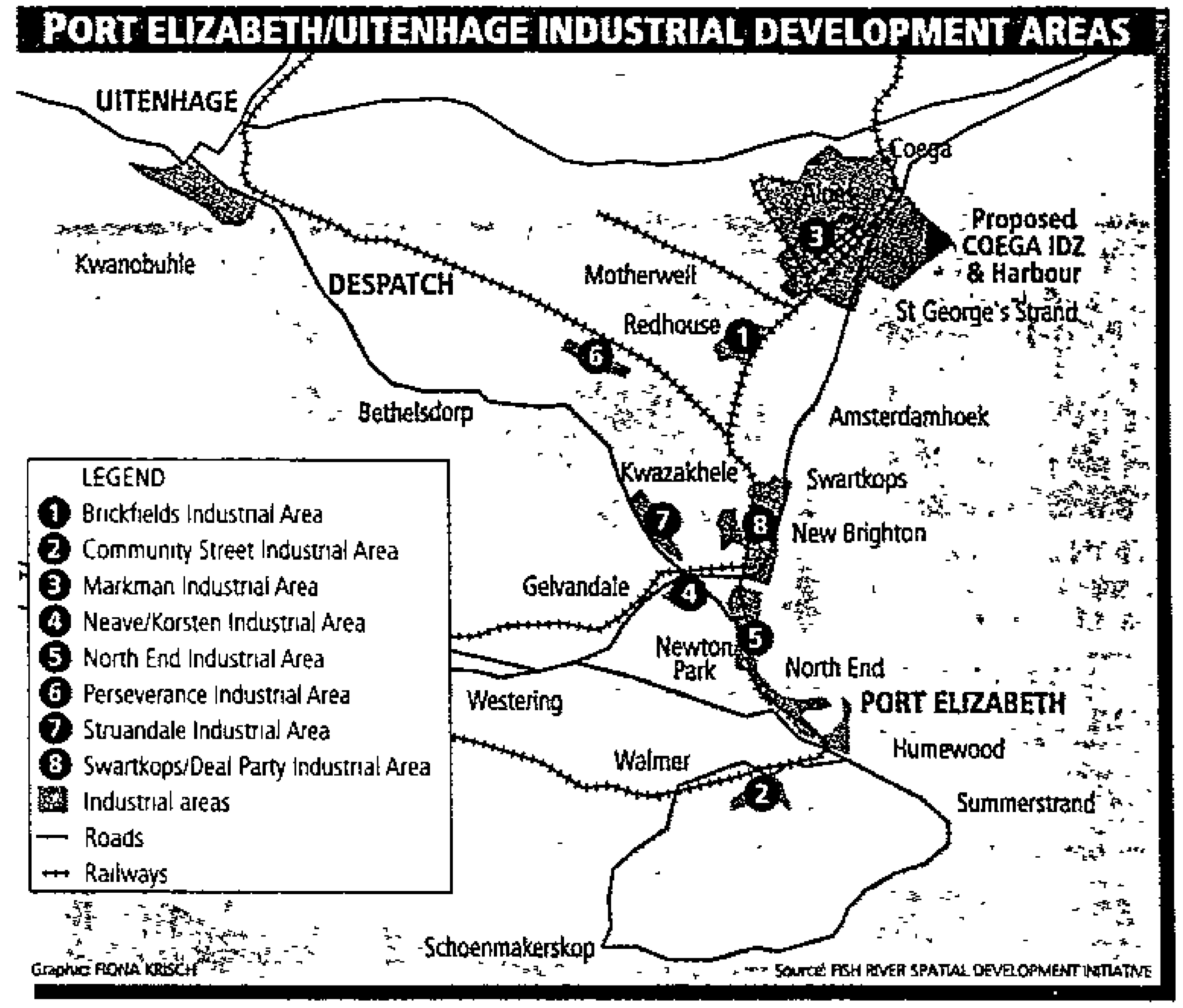
The Coega industrial zone has already attracted interest. PPC, which has almost completed a R750-million cement factory, will produce 600 000 tons of cement for the Eastern Cape as well as for export. Gencor is to sink R1.5-billion into a zinc refinery and Afrox R250-million into a gas plant. Kynoch, Samancor and Willard have also shown interest.

It is estimated that the three-year construction period for Coega will create 26 000 jobs and projected local income derived from Coega is estimated to be R6-billion in phase one.

In the meantime shopping centres and hotels are going up and existing ones are being extended. There is optimism in the city. Angelo Dashwood, head of Sten Products, which has manufactured exhaust systems in Port Elizabeth for almost two decades, is surfing the wave of success. In 1996, he doubled exports from 1995 and he expects 1997's figures to be up 60% again.

Bursting with local pride, he says: "Who is talking about making Port Elizabeth the industrial centre of SA? It has always been."

**PORT ELIZABETH/UITENHAGE INDUSTRIAL DEVELOPMENT AREAS**



# Chinese glass factory for SA

(49C) Sowetan 17/2/98

## East London benefits from recently established diplomatic ties

26

East London's proposed West Bank Industrial Development Zone (IDZ) will benefit directly from the Chinese glassware factory which is expected to be built soon in the area, Border-Kei Chamber of Business director Peter Miles has said

Miles was responding to an announcement by the People's Republic of China that they will build a glassware factory in East London after the establishment of diplomatic and economic ties with South Africa recently

He said because of its strategic location for regional and overseas markets, the IDZ stood to benefit from the investment.

Chinese investors are also interested in producing electrical goods and kitchen appliances in the port city.

Several Eastern Cape companies are currently exploring setting up production facilities in mainland China because of that country's massive economic growth rates and very low wages.

According to Kevin Wakeford, chairman of Business Eastern Cape (BEC), the average Chinese worker "earns less than a dollar a day", "and because of this very low cost base" South Africa could never hope to compete with that country in the area of mass-produced goods.

Apart from better investment opportunities for both countries, Wakeford said Eastern Cape businesses will benefit from improved trading links with the PRC through increased exports.

Setting up closer ties with China will place local businesses in a position where they will be able to supply goods to the Far and Middle East with its potentially enormous consumer base, Wakeford said.

Interest in trade with the PRC has increased in anticipation of the high-level South African trade delegation planned for April.

The four-city visit, aimed at strengthening political and economic ties between the two countries, will be led by Minister of Trade and Industry, Alec Erwin. He will be accompanied by several senior Government officials and a top-level business contingent

The delegation will visit Beijing, Shanghai, Guangdong and Hong Kong.

Wakeford said one of the main benefits of the trade delegation's visit will be "the creation of very important government links which could help cut red tape in China". – *ECN*.

# A bleak picture of paradise

MHG 20-26/2/98 (49C) (~~[illegible]~~)

Marion Edmunds

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

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

Thirty-three experienced nature conservators and scientists have left the conservation department since 1994, taking voluntary severance packages or resigning. Most of them have been replaced, if at all, by graduates straight from technikon or university.

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

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

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

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

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

The director of nature conservation, Graeme Taylor, said in response to the allegations: "Over the past few years provincial nature conservation has been undergoing a process of transformation, with the view to placing nature conservation in line with emerging international practices.

"While the process has resulted in some delays, these have been necessary to ensure accountability and transparency ... These steps should not be interpreted as an environmental crisis, collapse or disintegration."

# Boom or bust in Eastern Cape?

(49c) MtG 20-26/2/98

*Plans for development and foreign investment may be at the expense of the rural poor, writes* **Craig Bishop**

'The Eastern Cape development train is in motion — don't be left behind" was President Nelson Mandela's rallying cry at the International Investors Conference in East London late last year

It was designed to build confidence in the province and lure major foreign investment in the two spatial development initiatives (SDIs), which are centred on Coega, near Port Elizabeth, and the Wild Coast.

But, just two months into 1998, the train timetables are hopelessly muddled, the engine is running out of steam and the carriages are once again besmirched by gravy.

Local businesspeople and economists are not convinced SDIs are the answer in the race towards development. With the rural economy stagnating, the province is pinning its hopes on Port Elizabeth's proposed industrial development zone

**The fixation with miracle solutions should be replaced by local economic development**

A deep-water harbour — one of three in the country — is proposed for Coega, 20km north of Port Elizabeth. The three-year construction period is expected to create 26 000 jobs, and it is estimated local income will be R6-billion.

But Outspan International's Richard Hamley says the Coega development might have a negative impact on the country's main citrus-growing area — Sundays River Valley, 13km from Coega, which earns R800-million a year and employs some 30 000 people.

"Fluoride emissions and halogen gas are absolutely lethal to citrus growing, but there is no work being done on this A lot of our producers are worried and the environmental assessments have not allayed their fears about crop damage," says Hamley

The Department of Trade and Industry is offering tax incentives for industry to settle in Coega. A foreign investment grant is also on the cards to cover the expense of foreign industries relocating to South Africa.

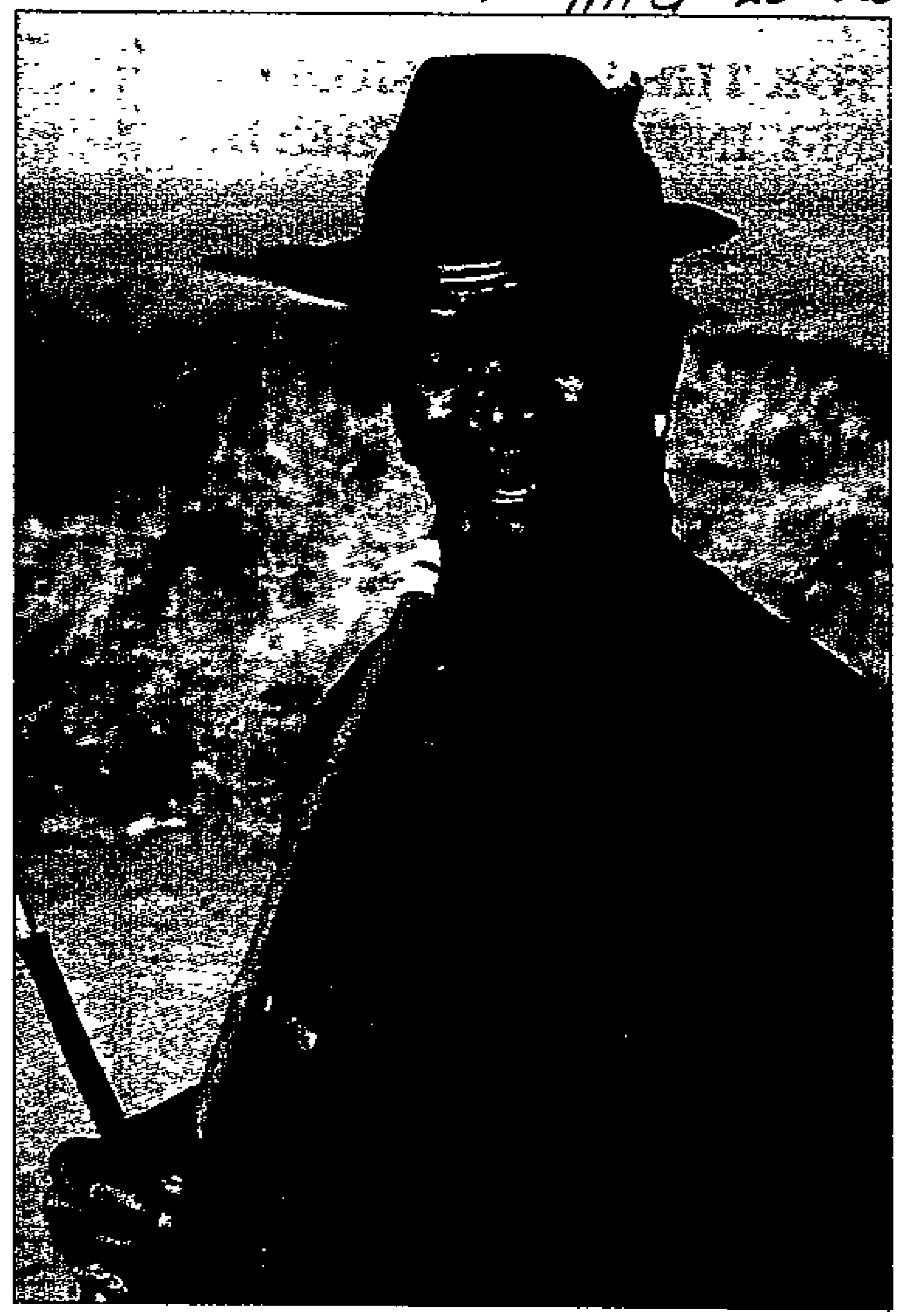
The chief executive officer of the Port Elizabeth Chamber of Commerce, Kevin Wakeford, says his is "the most competitive city in South Africa" He points to production expansion to the value of R4-billion in the past two years

The publicity given to projected short-term and medium-term benefits of the Coega development may be well timed politically for the 1999 elections, but those benefits may do little to address the plight of the marginalised rural sector, says Leslie Banks, of the Institute for Social and Economic Research at Rhodes University

"Patterns elsewhere in the rest of Africa show that high hopes pinned on urban industrialisation, foreign investment and job creation have not materialised In Ghana, there are huge crisis discussions about the failure of this Eurocentric-style industrial development, which ignores local, integrated development from below," Banks says.

Stephen Hosking, economics professor at the University of Port Elizabeth, says development economists would prefer to see capital investment in the region, in the form of roads and bridges. But, he adds, "work such as mine doesn't find its way into government thinking".

Bad roads isolate areas such as Butterworth where development is needed the most, he says "Chinese consortiums came to South Africa in 1996 with the express intention of finding sites in which to invest R10-billion They took one look at the treacherous Kei Cuttings, and said they could not go further on this road."



**Waiting for the dough: Focused industry will deprive rural Transkeians of essential development. PHOTO: PICTURENET AFRICA**

Hosking says the Coega development will generate less than half the income of an agri-tourism option, with six times as much capital expenditure. "I don't think they have done their long-term, cost-benefit sums properly They have underestimated the crowding-out effects and overestimated the spin-offs "

Idutwa used to be the boom town of the Eastern Cape But, says Idutwa businessman Mazizi Ntisana, if the Kei Cuttings are not overhauled, the migration to Port Elizabeth will destroy its economy "The Coega development is focused on already developed areas, so the underdeveloped areas are going to suffer If any more people leave Idutwa, all we will be left with are criminals "

Pumzile Ndendela, president of the Butterworth Chamber of Commerce, says industrialisation of Port Elizabeth is "definitely not the right strategy Butterworth and Idutwa used to be the heart of industry in the province Now factories and businesses are moving out, destroying the economies of these local towns

"Money has to be spread into the rural towns, because if you focus on just one point, it will see a return to the old days when the residents of the Transkei were cut off from development."

The Wild Coast SDI focuses on agri-tourism, but the proposed R1,9-billion Wild Coast toll road — the linchpin of the R3-billion SDI — was shelved late last year because it was "not a viable economic proposition" And with security of land tenure still very much a "paper right", little if any delivery has materialised

Rhodes University's Leslie Banks is sceptical about the long-term benefits of SDIs to rural areas He says SDIs are "imported, millennium solutions imposed on the Eastern Cape.

"The fixation with miracle solutions should be replaced by local economic development, where analysis is done into how people are actually making money at the moment, and capitalising on that.

"We are talking about more about participatory initiatives — for example, linking traditional subsistence farming with urban marketing — rather than the top-down approach of the SDI " — Development Media Agency

# Coega decision this year — Erwin

BD 10/3/98 (49C)

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

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

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

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

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

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

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

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

However, he said: " We now believe that the project is not only feasible but will be viable." — ECN, Sapa.

**BUSINESS**

# TV assembly plant moves to E Cape

(49c) Sowetan 19/3/98

MORE than 280 jobs will be created in Dimbaza where a R29-million television assembly plant opens for business within the next two months.

Hainan Vision, a Chinese consortium, chose Dimbaza, 20km from the Eastern Cape's provincial capital of Bisho, after being courted by the acting head of support services for the Centre for Marketing and Investment in the Eastern Cape (Cimec) Willie van Heerden.

The move was part of Cimec's drive to attract foreign investors to the region. The plant will be relocated from the Chinese resort city of Haikao which has been dubbed "Chinese Hawaii".

The entire factory is being stripped into its component pieces, packed into crates and transported by sea and road to Dimbaza where it will be put back together again.

Don Maclean, acting head of Cimec, said during the first phase of the investment the factory will make television sets based on Toshiba technology. During phase two, which starts in about a year, the factory will start assembling video cassette recorders.

The TV sets will be assembled from imported parts except for the plastic casings which will be moulded by local firms. Maclean said one of the difficulties in attracting investors to the province was that people in China perceived South Africa to be a particularly dangerous place in which to invest. – *ECN.*

# Wild Coast initiative to get R300-m

(49c)

Sowetan 14/4/98

**By Shadrack Mashalaba and ECN Business**

THE Wild Coast spatial development initiative investor's conference starts today at Port St Johns with some of the top names in South Africa's political and business arenas participating.

Water and Forestry Affairs Minister Kader Asmal, Enterprise Minister Stella Sigcau, Agricultural and Land Affairs Minister Derek Hanekom and several provincial MECs will be among the guest speakers.

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

## Poorest projects

More than R300 million is set to flow into one of the country's most poorest provinces when the Eastern Cape starts this ambitious development project, MEC for Finance and Economic Affairs Enoch Godongwana said.

The sectors earmarked for development are tourism, forestry and agriculture – all of which are labour intensive and will create much-needed jobs.

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

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

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

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

## Private sector

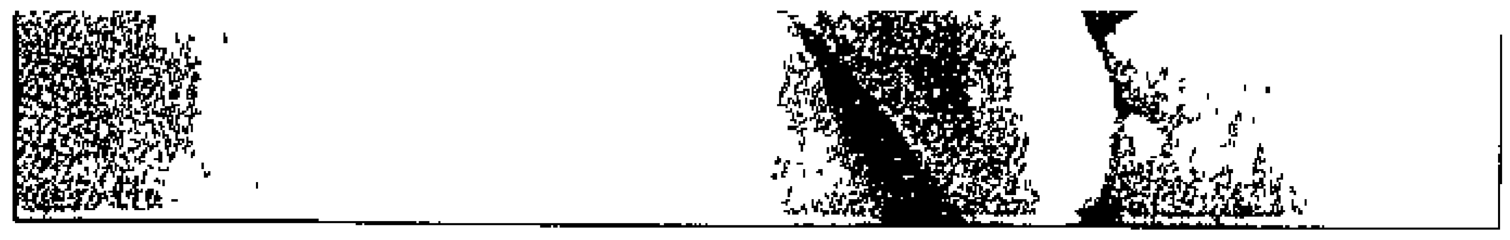
He said once the projects were up and running, the private sector would be expected to invest up to R150 million in hotels, conference centres and other tourist facilities.

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

A great potential also exists on this land, where subsistence farming has been taking place.

*market, ends on Sunday*

PHOTOGRAPH JOHN WOODROOF



# Wild Coast corridor is revived

CT (BR) 17/4/98 (49C)

**NCABA HLOPHE**

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

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

The Maputo development corridor is the most advanced and is expected to generate more than R30 billion annually.

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

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

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

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

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

# Partnership with state mooted to train the Wild Coast for profit

ST 19/4/98

~~(49B)~~ (49C)

DEVELOPMENT

By QUENTIN WRAY

AFTER decades of languishing in beautiful chaos, the Eastern Cape's Wild Coast is finally beginning to see capital flowing in.

The private sector was asked at this week's launch of the Wild Coast spatial development initiative to take the lead in developing one of the poorest areas of the country.

Development Bank of South Africa chief executive Ian Goldin told the conference that up to R400-million in new investment in more than 30 identified projects could create over 20 000 direct jobs.

Goldin said the initiative would unlock the potential of the area by addressing distortions of the past.

For the SDI to be a success, partnerships between government, the private sector and local communities needed to be formed, he said.

The concept of public-private partnerships had "taken off" in South Africa, reflecting an acceptance that government should not be relied on to do "everything", but rather create suitable environments for private development.

However, government still needed to cater for those needs that the private sector would be unable to provide for, he said, estimating that for every R1 invested by the government, R9 would be invested by the private sector.

Goldin said that by creating "certainty" in its policy towards the area, the government had paved the way for the private sector to make profitable investments on the Wild Coast.

Pallo Jordan, Minister of Environmental Affairs and Tourism, said the project would be driven by the private sector and the role of government was to "provide an enabling framework", allowing the initiative to flourish.

Jordan highlighted several factors critical to the success of the project, including the use of sustainable environmental practices, the involvement of previously marginalised communities, a safe and stable tourism environment, and internationally competitive pricing and service levels.

Don Maclean, acting chief executive for the Centre for Investment and Marketing in the Eastern Cape (Cimec), said the SDI team had "unlocked" initiatives, and the more than 30 identified projects were now ready for investors.

Sappi announced at the launch it had entered into a joint venture with the Magwa Interim Transformation Committee (which represents the Magwa Co-operative and the local community), in terms of which 4 000ha would be planted with trees in the Lambasi area near Port St Johns, subject to the outcome of an environmental impact assessment and the issuing of a forestry permit. The community will retain ownership of the land.

The initiative is expected to attract investment in three key areas — tourism, forestry and agriculture.

Jordan, Minister of Water Affairs and Forestry Kader Asmal and Eastern Cape MEC for agriculture and land affairs Max Mamase attended the launch to introduce opportunities to potential investors.

Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka and Eastern Cape MEC of housing and local government Smuts Ngonyama explained government's programmes to support the initiative. Investors have until June 30 to submit "pre-qualifying proposals" for investment in identified projects to Cimec.

Monde Tom, permanent secretary of the Eastern Cape's department of economic affairs, environment and tourism, estimated it would take only one month "from proposal to official OK" for these projects.

JOBS AND UPLIFTMENT . . . Ian Goldin wants to unlock growth potential

Identified tourism projects which were waiting for suitable investors included the Mkambati Game Reserve, the Magwa Tea Estate and Mbotyi Hotel, Coffee Bay and Hole in the Wall, the Dwesa-Cwebe Nature Reserve and the Hluleka Nature Reserve.

Between 110 000ha and 130 000ha of new land suitable for forestry had also been identified by the department of water affairs and forestry. The new areas identified are in the Amatola mountains, the north-eastern Cape, Umtata-Langeni, the areas north of Port St Johns, and Umzimkulu.

At present, only 2% of land along the Wild Coast is used for agriculture, despite the area's good rainfall, largely untapped water supply, lack of frost and moderate temperatures.

Opportunities exist for the farming of macadamia nuts; sugar beet; several types of vegetables and fruit including pineapples, citrus fruits, granadillas and bananas; as well as for dairy farming. — *ECNbusiness*

# Forestry a growth industry in E Cape

FORESTRY (49C)

COMMERCIAL forestry has been identified as one of the three pillars on which the Wild Coast spatial development initiative (SDI) will be based

This was the result of the investment conference which was launched last week aimed at identifying the Wild Coast as one of the SDI's in the Eastern Cape.

At the launch of the Wild Coast SDI, Forest Owners Association chief executive Mike Edwards said the area had been identified as having "vast forestry potential" as early as 1985.

Edwards said however that the Eastern Cape, particularly the former Transkei, was also subject to factors which limited the growth of the forestry industry.

These were:

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

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

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

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

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

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

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

He said investors must guarantee a market for the end-products at market related prices. – *ECN Business*

# Massive windfall for Coega zone

(49e) (BR) CT(BR) 19/5/98

NCABA HLOPHE

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

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

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

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

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

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

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

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

VWSA will create 1 000 jobs and spend R150 million on expansion and improvements to its production line to meet the order.

**EASTERN CAPE** *R50m for initial research work*

# Portnet boosts Coega project

ET (MR) 25/5/98 (49c)

**LYNDA LOXTON**
PARLIAMENTARY CORRESPONDENT

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

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

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

But everything depends on whether Billiton and Matsui, its technical partner, finally decide to establish a R2,7 billion zinc refinery and smelter in the Coega industrial development zone. Delays by the government in announcing what support it could provide for the project had created fears that Billiton and Matsui might not move into Coega.

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

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

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

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

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

A meeting of all interested parties will be held in Port Elizabeth on June 5.

# It's boom-time for

(49e)

## *Money is pouring into PE by the billions*

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

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

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

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

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

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

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

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

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

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

In the last two years more than R4-billion in private investment – R1,4 billion of it foreign – has found a home in the city.

Investments made included foreign buy-outs of Goodyear-Contred (R568 million), Bridgestone-Firestone (R290 million) and Duracell (R525 million).

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

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

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

He says the boom was kickstarted by "significant growth in export-driven manufacturing" in South Africa. Local businesses are booming, he says, and the city regularly features in the top three of the South African Chamber of Business's business confidence index.

**After almost 15 years of strife, struggle and oppression, Port Elizabeth is leading an industrial revolution in the country's poorest province, writes QUENTIN WRAY of ECNbusiness.**

Businesses in the PEU metropole have made three major announcements in the last two months.

- First Uitenhage-based Volkswagen South Africa (VWSA) said it had secured a R5-billion export order;
- Then came the announcement by Portnet that they were "ready" to start with the development of Coega – their investment in the port alone will amount to R1,2 billion – and;
- This week the South African Motor Corporation (Samcor) announced that it would be investing R146 million to gear up its Port Elizabeth plant as it had secured an eight-year, R1,6-billion export contract with Ford.

Wakeford says PEU has benefited from the post-1994 political stability and South Africa's new export-oriented economic focus.

He says labour strife lost the Eastern Cape about one third the national average number of workdays (per million workdays). He compares this with the statistics before 1994, when the province was loosing about twice the national average.

Wakeford says the Eastern Cape has always been central to the political struggle and an "incubator of change". This, he says, made the area "unattractive to investors" in the past. This, plus general historical government neglect, contributed to the current provincial government's "capacity crisis".

Central government's "failure to do a proper needs analysis" and its refusal to acknowledge the Eastern Cape's historical "infrastructural backlogs" are adding to the problem, says Wakeford.

He says Gauteng and the Eastern Cape are receiving similar allocations from central government even though Gauteng only has 30 000 civil servants compared with the Eastern Cape's 150 000. He calls this "ridiculous".

These factors are slowing the economic development of the province.

However, Wakeford says the provincial government also tends to see the PEU metropole as the province's "Gauteng" – which it felt allowed it to focus its efforts on the rest of the province. This is shortsighted, he says, as the province needs an "economic heavyweight in its corner".

Contributing to making the city a more than usually stable socio-economic *environment, Wakeford says Port* Elizabeth is characterised by viable social partnerships between organised labour, organised business and local government. This has led to the city successfully getting it together to get the Coega project going.

It has also led to the Congress of South African Trade Unions, Percci and the Port Elizabeth municipality negotiating payroll deductions for municipal services.

He says that despite the R4 billion recently invested in the city there is still a great deal of untapped potential.

Wakeford says because the Eastern Cape now produces two thirds of the nation's cars – most of them destined for export – there is an opportunity for a vehicle processing plant.

This would be a "very labour-intensive and value adding" plant and would undertake waxing and dewaxing of cars (cars are covered in wax when they travel by sea to prevent rusting), installation of radios and alarms.

These activities are usually undertaken in the host country.

South African vehicle terminals are very "clinical", Wakeford says, and simply involves cars driving on and off ships.

The role of Coega can also be upgraded and it could become the southern hemisphere's first deep-water port that so-called "new generation vessels" could utilise.

Wakeford says the PEU metropole needs to position itself within the context of South Africa's other major economic nodes. These are.

- Johannesburg – the financial capital and inland gateway to the rest of Africa;
- Durban – the gateway to Gauteng;
- Cape Town – the international tourism gateway to the sub-continent and a major tourist venue – and;
- Richards and Saldanha bays – bulk ports.

Wakeford says PEU is the logical export manufacturing capital of South Africa and the centre of the automotive industry. It is also a natural centre for eco-tourism and watersports.

# the fighting city

CP 7/6/98

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

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

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

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

South African Guidedogs Association for the Blind (SAGA)
126 Wroxham Rd
Bryanston
2021
Tel: (011) 705 3512
Fax: (011) 465 3858

MAIL & GUARDIAN
June 12 to 18 1998

# Coega port may zinc or swim

M+G 12-18/6/98 ~~(490)~~ (49C)

Craig Bishop

Port Elizabeth business leaders, trade unionists and politicians are uncorking the champagne in anticipation of the go-ahead for development of Africa's first deep-water port at Coega, about 7km outside the city.

But a growing band of environmentalists and social critics are determined to take the fizz out of their celebrations. They are up in arms over what they call "an [outdated] 1960s route to development".

Consultants Africa Environmental Solutions recently completed an environmental impact report commissioned by zinc manufacturer Billiton — which plans to build a R2,7-billion refinery at Coega, provided Portnet goes ahead with its intention to spend R1,7-billion on the port.

The report will be handed to the provincial Department of Environmental Affairs and Tourism next Monday June 15. The department will then have only five days to decide whether to grant a permit to allow the development at Coega to go ahead.

This time-frame "imposed by Billiton" is "totally unrealistic", says Boyce Patu, the deputy director of the environmental NGO, the Southern African Environmental Project. "We are very unhappy with government's response to the issues we have raised. The present timetable does not give adequate opportunity for the public to respond."

Billiton's zinc refinery is expected to pump out 770 tons of sulphur dioxide a year, adding to the already high levels of pollution in the Port Elizabeth region. Environmentalists are concerned that the development of more heavy industry will have a serious impact on citrus growers in the Sundays and Coega River valleys — which represent 30% of South Africa's citrus industry — the Algoa Bay fishing and mariculture industries, and the nature reserves in or near the Coega region.

Minister of Environmental Affairs and Tourism Pallo Jordan says "the best of First World environmental standards will apply at Coega". And the chief executive officer of Port Elizabeth's Chamber of Commerce, Kevin Wakeford, warns South Africa will lose investment and trade to other parts of the southern hemisphere if Coega does not go ahead.

"World trends are moving towards huge, new-generation vessels that carry 7 000 containers per trip. Coega could be the southern hemisphere's first deep-water port that complies with the standards set by the International Standards Organisation. South Africa, through Coega, could become the hub of the world's shipping movement," says Wakeford.

But the director of the Southern African Environmental Project, Norton Tennille, says the government is following a "1960s route to development. Did you see the movie *Field of Dreams*? That's Coega — build it and they will come."

Critics of development strategies that focus on "dirty industries" are urging the government to look at alternatives.

Richard Haines, professor of sociology at the University of Port Elizabeth, says ecotourism and agriculture could transform the region into the "Disneyland of the 21st century. The government needs to do a cost-benefit analysis before Coega happens. We have the 'big five' in a malaria-free, historical-heritage area, and all of this stands to be affected by Coega."

Stephen Hoskings, professor of economics at the university, also challenges the "economic hype" of the Coega industrial development zone: "It will be a pleasant surprise if the total number of jobs over the two-and-a-half-year construction phase exceeds 5 000 — at least 20 000 less than Wakeford declared there would be."

The director of Africa Environmental Solutions, Chris Dalgleish, this week gave assurances that its report is "not a sweetheart report. Billiton has expressed a clear indication for an Eastern Cape site, but nothing has been compromised. We have always stood our ground as an independent environmental body." — DMA

# Focus on developing Butterworth

(49C)

Deborah Fine

BD 7/7/98

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

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

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

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

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

The council said there would be no manufacturing industries of note left in Butterworth by 2001 if the current rate of decline was sustained.

# Portnet to put R1,5bn into deep water port

Robyn Chalmers (49c) BD 7/7/98

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

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

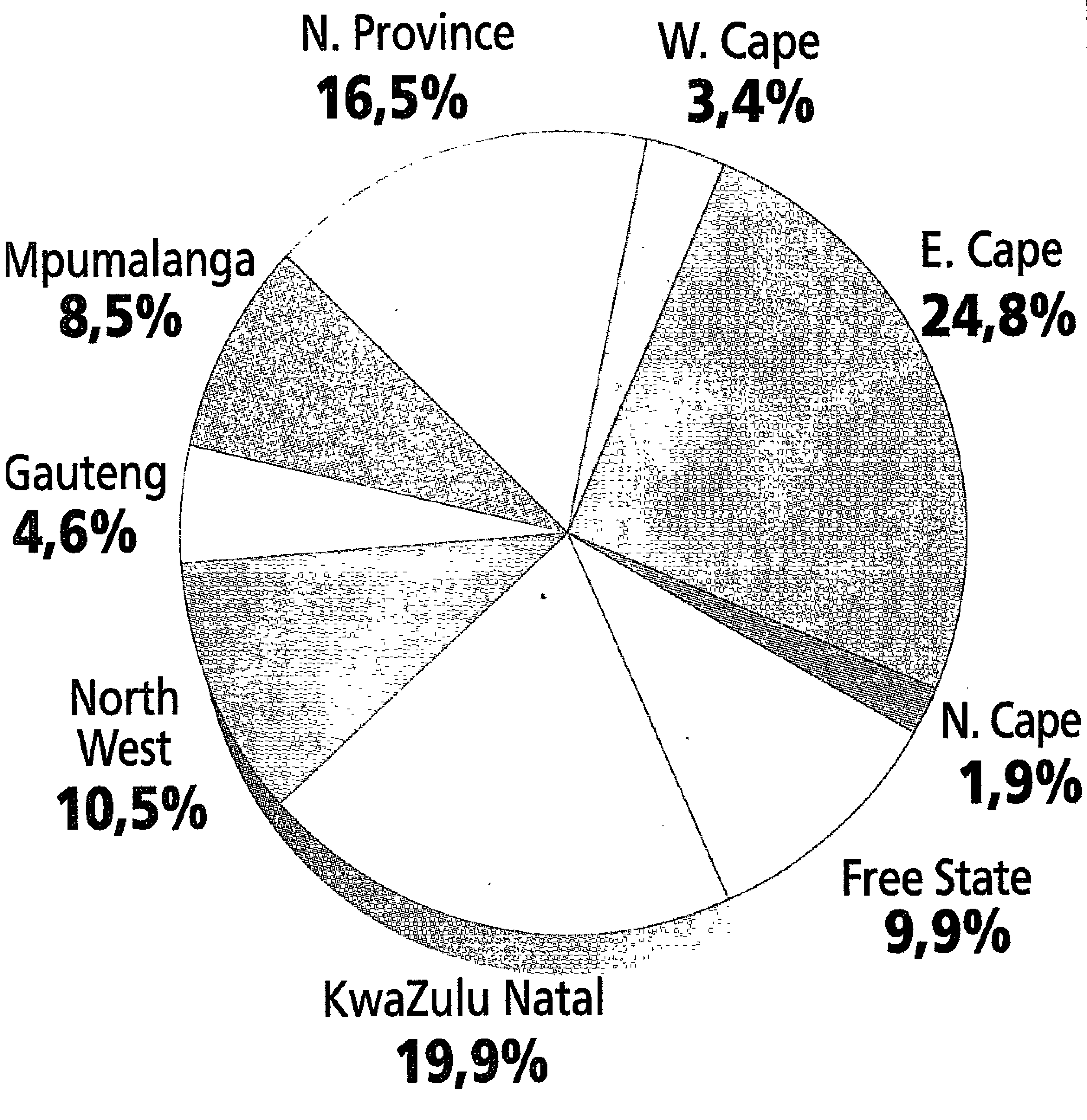
"We are on track, with Billiton having moved from the drawing board stage to some preliminary physical drilling," he said. Portnet has already spent about R20m on design work and will spend another R20m on the detailed planning phase of the project.

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

Childs said Portnet's capital expenditure budget had risen to R1,5bn this year from R600m in 1996/97.

# Eastern Cape worst-off province

(49 C) Star 8/7/98




**Provincial shares of poverty**

Poverty, defined as less than R800 per month for a family, is distributed unevenly among the nine provinces. The Poverty and Inequality Report says provincial poverty rates are highest in the Eastern Cape where 71% of the population is destitute.

The Free State is second with 63% followed by North West (62%), Northern Province (59%), Mpumalanga (57%), Northern Cape (55%), KwaZulu Natal (52%), Western Cape (28%) and Gauteng (17%).

Poverty is widespread in the Eastern Cape, KwaZulu Natal and Northern Province where poor households account for 61,2% of the total on or below the poverty line in the country.

Gauteng and the Western Cape make up only 8% despite being home to 26% of the population.Provincial percentages of the national total of those living below the poverty lines are:

Eastern Cape 24,8%, Northern Cape 16,5%, KwaZulu Natal 19,9%, North West 10,5%, Free State 9,9%, Mpumalanga 8,4%, Gauteng 4,6%, Western Cape 3,4% and Northern Cape 1,9%.

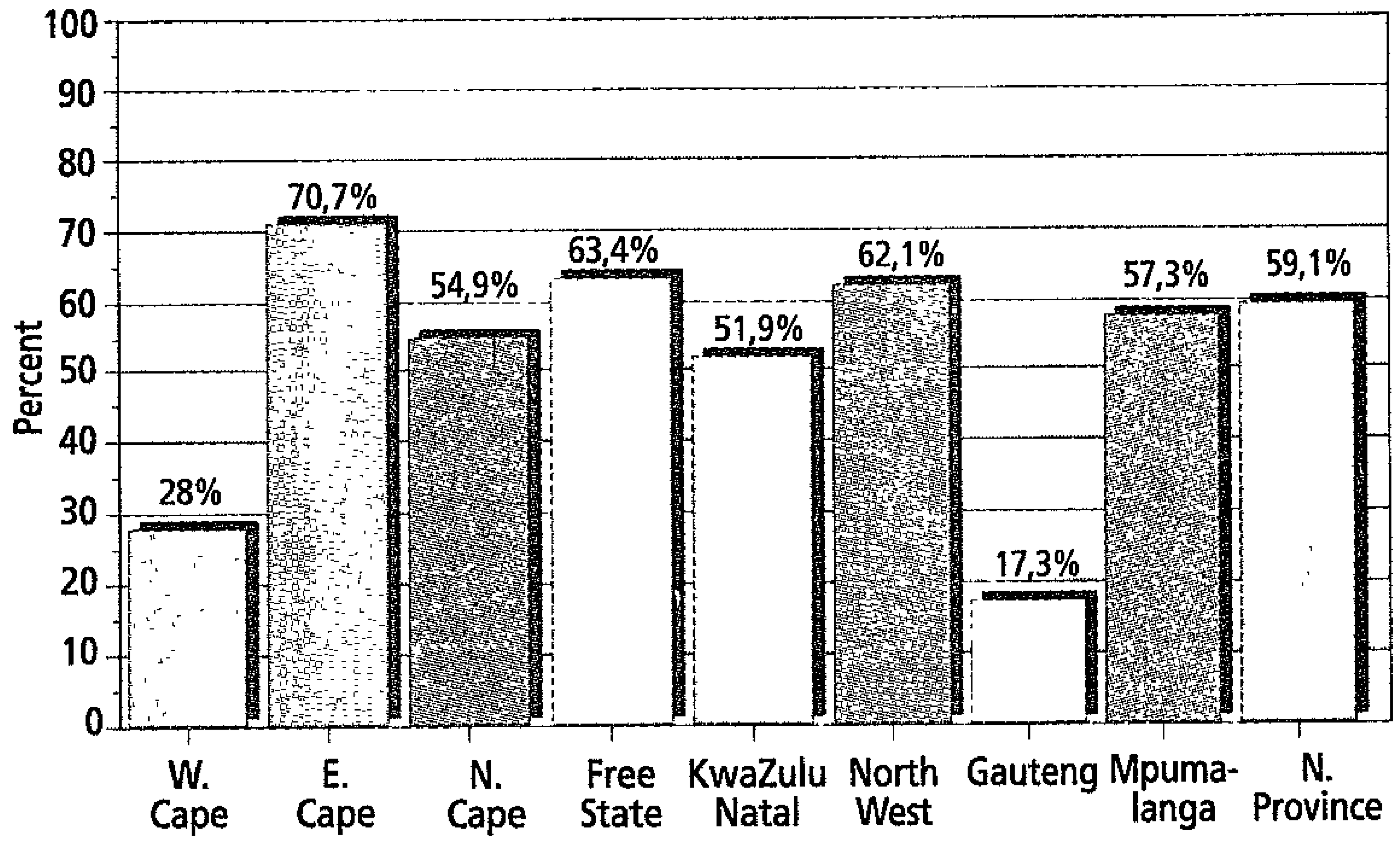
Three children in five live in poor households and face abuse including:

- Sexual abuse, including rape and children being forced into prostitution.
- Fractured and unstable families where step-parents are often mentioned as a source of abuse.
- Alcohol abuse by parents which lead to child abuse.

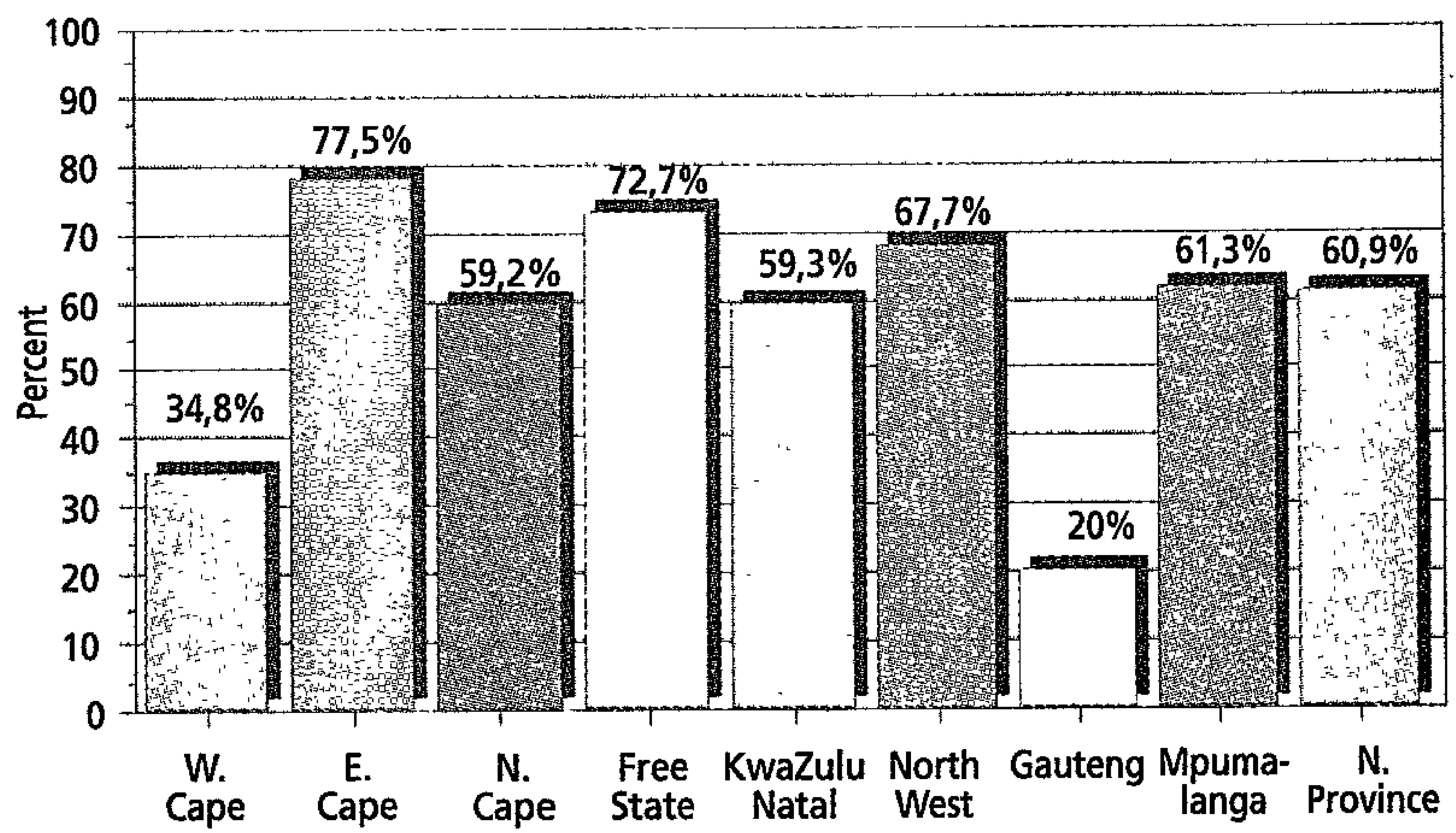
According to the poverty report female children are more vulnerable and are subject to the negative dependency on their male peers and men.

"One implication is that the home is not a safe place for many children who opt instead to leave and to live on the streets," the report says.

The children are not continuously parented or schooled, and are in many cases not well nourished. The pensions, state and sometimes otherwise, received by grandparents and great-grandparents are often the source of survival for such children.




**Provincial poverty rates**




**Children living in poor households**

# High interest rates worsen job crisis in poorest province

CP 24/10/98

(49 e)

By QUENTIN WRAY

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

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

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

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

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

Trade union officials said at the weekend that key East London textile plant Da Gama would jettison 350 workers on November 6. Unions said they were not contesting the job cuts.

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

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

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

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

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

He said his trade was reduced to a trickle.

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

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

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

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

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

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

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

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

Corobrick has been in the Eastern Cape since 1972 and its investment is spread between Port Elizabeth and Mount Coke near King William's Town.

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

Volkswagen SA's new R20 billion exportdeal had firmly established PE as South Africa's motor-hub and had lent critical mass to the areas "export platform".

However, he warned that the province was "psyching" itself into a downward spiral and this trend needed to be reversed. – ECN Weekend

# Fish River development creates 500 jobs in EC

(49c) CP 8/11/98

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

He said government was "working hard" to accommodate Billiton's R2,7 billion zinc refinery at Coega and other "major investments" were expected to flow from counter-trade defence agreements. Keet said two tourism projects had also reached an advanced stage.

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

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

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

# New Sacob boss slams slow progress at Coega

(49c) BD 17/2/99

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

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

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

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

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

Sacob president Humphrey Khoza said SA's chamber movement needed to become "more representative of the population at large". This would happen through deracialisation of ownership and "central and accelerated upward mobility in the workplace through focused education and training". — ECN.

# Eastern Cape shows dramatic turnaround

BD 25/2/99 (49C)

**EASTERN CAPE**

**Reneé Grawitzky**

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

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

Spending would be focused on social services, which would account for R13,566bn or 85% of the total budget compared to R13,19bn last year.

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

Personnel expenditure would continue to consume more than half of the budget and amounted to R9,25bn or 58% of total spending, compared to R9bn (58,5%) in 1998/99.

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

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

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

The Eastern Cape received the second-highest allocation from national government, R15,246bn. This amounted to 17,8% of the R86,3bn allocated for provincial governments from the national budget.

The province could receive additional grants totalling R337m. Depending on proper budgetary and financial management controls being in place, the province would receive a supplementary allocation of R444m.

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

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

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

Godongwana said the budget managed to put the province in a position to remove inefficiencies in the system. In the past, the province had crisis management budgets but was now in a position to address the backlogs in infrastructure development.

☐ DEVELOPMENT

## DBSA lends R22,7m to Knysna (49C)

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

CT(BR)22/4/99

# Arms deal could save Coega

BD 18/5/99 (49e)

## State officials predict a new anchor tenant will be secured by mid-year

Robyn Chalmers

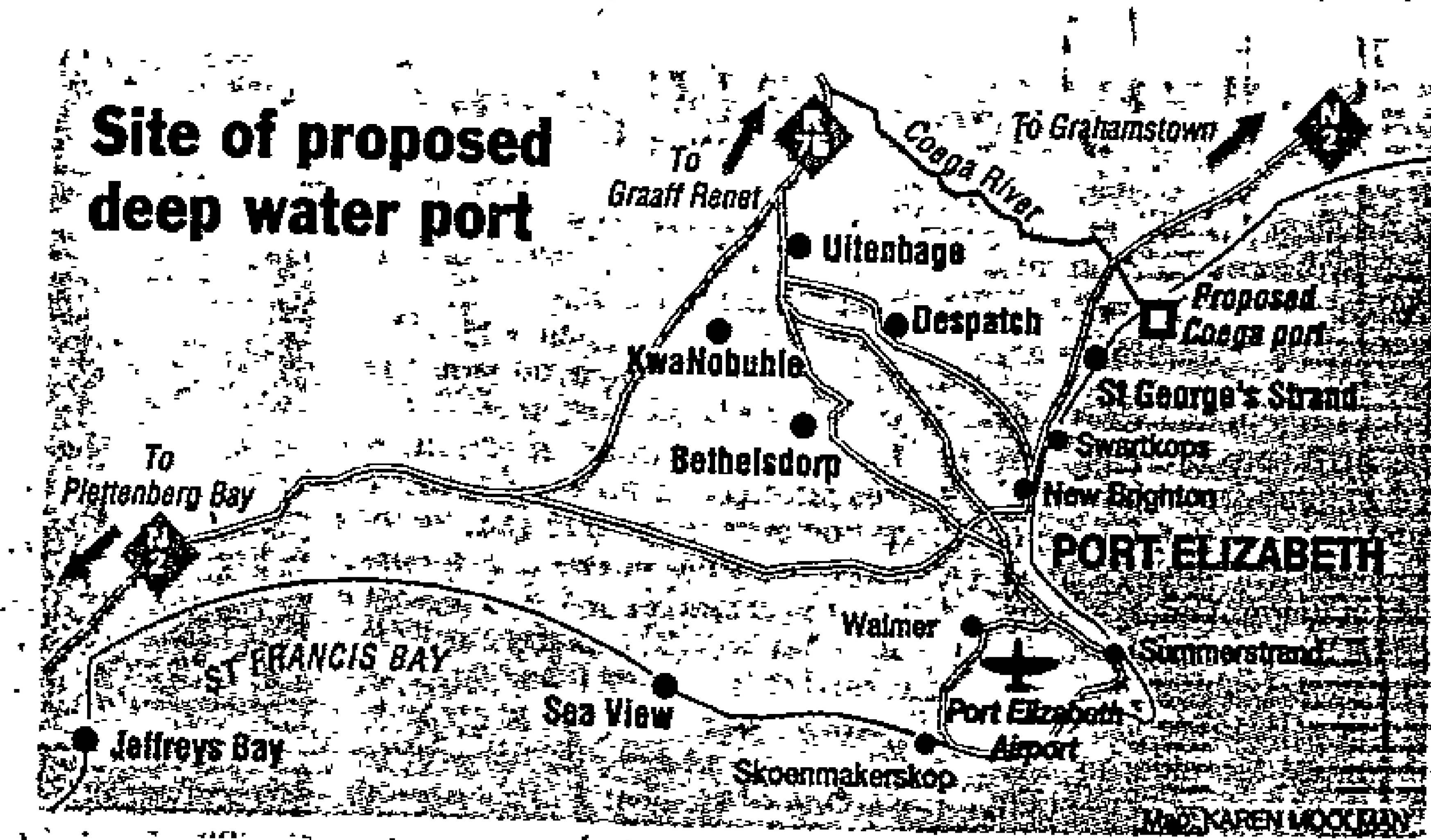
GOVERNMENT is set to use industrial offsets from its pending multibillion-rand arms order to resuscitate foundering plans for a deep water port at Coega, near Port Elizabeth.

Government officials, who are said to be determined to see Coega get off the ground, predict that a new anchor tenant will be secured by mid-year as a result of the leverage available under the weapons deal. The latest plan was outlined at a recent meeting between Moss Ngoasheng, economic adviser to the office of the deputy president, the Port Elizabeth Regional Chamber of Commerce and members of the Coega implementing authority.

The trade and industry ministry, Portnet, and its holding company, Transnet, are known to be keen to see Coega proceed, partly because of the boost the port would give to the Eastern Cape, one of the country's poorest provinces. In line with this approach, a second iron-ore export rail line from Sishen in the Northern Cape is being investigated, with Coega as the coastal terminus. Such a rail link could improve the project's viability.

In addition, a new legal entity called the Coega Development Corporation is to be established, headed by development specialist Pepi Silinga. This body will replace the Coega Project, which is informing local and international investors as well as other stakeholders about the scheme. Silinga told the chamber's AGM last week that Portnet and the Coega Project had had already spent R45m on the scheme. Portnet is expected to name someone soon to co-ordinate its input into the project. "All I can say (is that the Coega port) will happen sooner than you think," Silinga said.

The project — officially known by its Xhosa name, Ngqura — has been nominated as a preferred area for industrial offsets flowing from the military procurement process. "It is our considered view that if our government buys the corvettes, submarines and the fighter helicopters ... Coega is a dream that will become a reality. It is an open secret that my colleagues ... have succeeded in whetting the appetite of German investors."




As part of its bid for a slice of the R29bn arms deal, a German submarine consortium has offered an investment of R6,26bn which would create more than 16 000 jobs in a stainless steel plant which could be sited at Coega.

The need for a new anchor tenant follows last year's withdrawal of Japan's Mitsui group from a proposed zinc refinery at the port. London-listed metals group Billiton was forced to put the refinery on the backburner until it could find a new technology partner.

Chamber CEO Alfred da Costa says the offsets deal is one of the key factors on which the Coega project hinges. "Ngoasheng has assured us that the government is pursuing this option. Negotiations should be completed by the end of the year and by then we will all have a good idea as to which investors will be coming to the industrial development zone," he said.

Ngoasheng indicated that the first round of negotiations with prospective investors had already been completed.

"We have indicated to them which issues we may not be happy with and where they can firm up in this regard. This leads us to believe that by the middle of the year we should have firm offers of investment and commitment from the relevant anchor tenants."

Coega's backers hope the port will eventually grow into a cluster of metallurgical plants. These could include stainless steel factories, iron and steel plants and other metallurgical industries. They are also banking on other smaller projects getting the go-ahead.

*The decision represents brewer's largest capital investment in South Africa since the late 1980s*

# SAB to invest R750m in PE plant

(49c) (182) CT (BR) 22/7/99

ANN CROTTY

Johannesburg South African Breweries' plan to build a R750 million brewery in Port Elizabeth represents the group's largest investment in domestic beer production capacity since the late 1980s and the first major capital investment since it moved its primary listing to London.

Analysts said yesterday that the decision to go ahead with the investment, which was first mentioned in 1997 at a possible East London site, was a significant vote of confidence in the country's economic growth prospects.

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

Work has already begun on the new brewery, which will have a capacity of 2,3 million hectolitres, and is expected to be completed by the end of 2000.

The existing brewery in Port Elizabeth, which has a capacity of 0,9 million hectolitres, will be closed when the new brewery begins production. This means the net additional capacity from Port Elizabeth will be 1,4 million hectolitres.

The investment is additional to SAB's current annual capital expenditure on local beer interests of almost R600 million.

About R200 million of this will be invested to increase capacity at the Alrode brewery in Johannesburg from 7,6 million hectolitres to 8,1 million hectolitres.

Ahead of the new investment, the South African beer division of SAB has seven breweries with a total capacity of 29,7 million hectolitres.

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

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

□ Business Watch, Page 2

# Change of mind over brewery (182) leaves bitter taste (49C)

Nicola Jenvey

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

SAB said yesterday it would construct a new brewery next to the existing Perseverance depot 19km outside Port Elizabeth to replace the century-old establishment in the city centre. The 230-million-litre capacity plant was "well positioned to service the Eastern Cape, as well as the anticipated future requirements of the southern Cape".

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

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

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

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

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

However, strong volume growths from the southern Cape placed Port Elizabeth as the more central location

BD 22/7/99

Sowetan 17/8/99

# Cimec generates 3 220 jobs

WITH an expenditure of slightly over R7 million the Centre for Investment and Marketing in the Eastern Cape has generated investment to the tune of R176 million and 3 220 jobs for the province. (49C)

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

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

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

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

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

Involvement included packaging and marketing projects in SDI areas, liaison with investors, kick-starting SDI-related industrial cluster processes, developing and managing the SDI database and participating in implementing authorities. – *ECN*.

# Port Elizabeth's investment campaign gets rich results

BD 24/8/99 (49e)

## Environmentally friendly power plant opens international doors

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

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

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

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

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

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

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

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

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

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

### Greening

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

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

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

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

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

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

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

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

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

Da Costa said it would help "facilitate the culture of meeting world standards". — ECN.