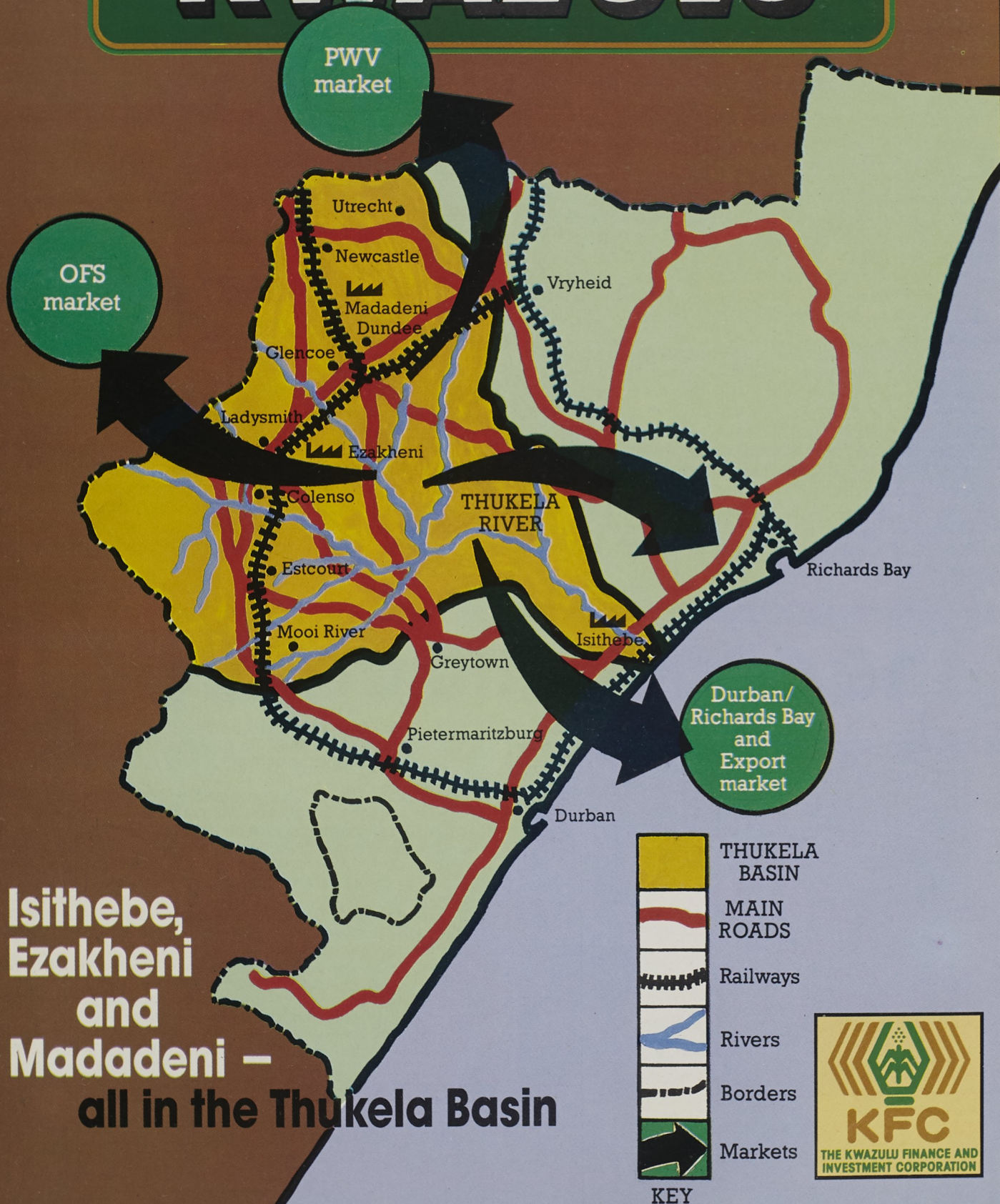


INDUSTRY in KWAZULU

PWV
market

OFS
market



Tranquillity and steady growth

KwaZulu has enjoyed relative tranquillity in comparison with the rest of South Africa where the factory floor has tended to become an area of political confrontation.

KwaZulu's relative peacefulness, in social as well as industrial terms, is generally attributed to the leadership qualities of KwaZulu's Chief Minister, Chief Mangosuthu Buthelezi (who also holds the Economics portfolio), and the general calibre of his Cabinet which has in it two medical doctors and one doctorate in Education.

A measure of Chief Buthelezi's stature is the international leaders he has met for talks over the past 12 months: the President of the United States, the Prime Minister of Great Britain, the Chancellor of West Germany and the Prime Minister of Israel – as well as scores of other high-ranking figures in business, banking, politics, diplomacy, the Church and the universities.

Chief Buthelezi's consistent standpoint (endorsed by the Inkatha movement which he leads) has been for emancipation of the Black masses by a negotiated settlement giving full political, social and economic rights to all; that this can be made meaningful only by the upliftment which accompanies economic prosperity; that prosperity is impossible without increased investment; that investment is impossible without stability; and that a strategy of emancipation by violent revolution is not only unrealistic and futile, it threatens to destroy the economic basis on which future prosperity has to be built.



Chief Buthelezi.

This principled standpoint has not endeared Chief Buthelezi to groupings on the Far Left, both local and overseas. But its effectiveness is reflected in KwaZulu's continued relative stability and the steady increase in investment in KwaZulu's industrial estates at Isithebe, Ezakheni and Madadeni, in spite of the current recession.

The economic catalyst



Dr Spies.

The KwaZulu Finance and Investment Corporation (KFC) is the economic arm of the KwaZulu Government and promotes and finances activities ranging from heavy industry to small-scale farming.

At the helm of the KFC is Executive Director Dr Marius Spies who has been with the Corporation since 1979 and was appointed to his present post (and a seat on the Board) in 1985. As Executive Director, he is also economic adviser to the Chief Minister and a member of the Planning Co-ordinating and Advisory Committee, which is the professional support service of the KwaZulu Government.

Dr Spies holds a D Phil in Economics from the University of Pretoria and has lectured economics at the University of Durban-Westville and the University of Zululand.

The KFC is a limited liability company, created by an amendment to South African legislation by the KwaZulu Legislative Assembly. It is directed by a Board appointed by the KwaZulu Cabinet and accountable to the Legislative Assembly.

The KFC controls assets of R476,9 million and has, since 1979, mobilised capital in KwaZulu totalling R733,2 million. Of this figure, R236 million (45 percent) is attributable to private sector investment, which illustrates the Corporation's catalytic role in promoting free enterprise.

The KFC is funded by share capital, long-term borrowings, operating profits and loans repaid.

PRODUCING THE MEN AT THE H

Companies which have chosen to establish factories in KwaZulu now total 183 – 121 of them at Isithebe, 46 at Ezakheni, eight at Madadeni and eight in localities other than the industrial estates.

In the 1985/86 year 59 new factories were established – 33 of them at Isithebe, 22 at Ezakheni, three at Madadeni and one elsewhere. They represent a capital investment in buildings, on the KFC's part, of R42,5 million. The buildings cover a total 121 548 square metres.

The new factories meant employment for another 2 916 people at Isithebe, 3 840 at Ezakheni, 554 at Madadeni and 518 elsewhere – 7 828 altogether.

Total employment in KwaZulu industries now stands at 29 436 – 18 739 at Isithebe, 7 611 at Ezakheni, 1 168 at Madadeni and 1 918 elsewhere.

The KFC has 132 active loans to industrialists, amounting to R44,5 million. Seventeen capital advances amounting to R6 million were made in 1985/86 and 18 loans totalling R8,1 million were approved for new establishments. Nine loans for expansions were approved, totalling R1,1 million.

The R540 m Portfolio

The man directly responsible for industrial investment in KwaZulu is Investments Executive Mr Gerrit van den Berg whose department handles a capital investment of R539,7 million, R304,9 million of which (57 percent) is attributable to private sector industrialists.

Mr van den Berg has a B Comm (Hons) degree in Business Finance (cum laude), an M Comm in Business Finance and an MBL (Master in Business Leadership) – all from the University of South Africa.

He began his working career as a tax assessor with the Department of Inland Revenue, where he ended up specialising in company and mining taxation. He joined the former Corporation for Economic Development as Senior Investigating Accountant and later joined SA Bata, the multinational shoe manufacturing group, as Group Financial Manager.

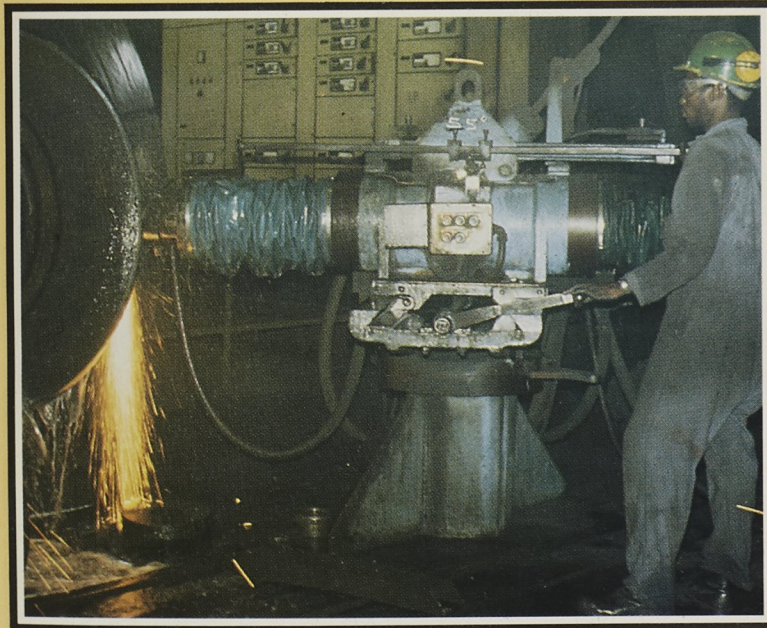
In 1979 he joined the KwaZulu Development Corporation (predecessor to the KFC) as Assistant



Mr van den Berg.

General Manager, Finance, later becoming General Manager, Finance. When the KFC took over the KwaZulu industrial estates from the CED in February 1984, Mr van den Berg was asked to set up the Investments Department which he now heads.

Stepped up production at Lennings



Machining work in the Lennings foundry.

Lennings Manganese, one of the oldest-established industries at Isithebe, has had to step up production to meet demand, following the closure of one of its major competitors.

The Lennings foundry, which manufactures manganese steel crushing equipment for the mining and quarrying industries, won the Government's Merit Award for Export Achievement last year. It exports about 50 percent of its output, the major markets being Canada, the United States, France, the United Kingdom, Spain, Chile and the Far East.

Output has increased substantially over the past year or two, sales being boosted not only by the disappearance of competition but by the reduced international exchange value of the rand.

As General Manager Mr David Hume puts it: "We have been competitive all along, even when the rand was worth \$1,25. The current exchange rate accentuates it."

Lennings, a subsidiary of Johannesburg Consolidated Investments, is recognised as one of the world's major manganese steel foundries. It was established at Isithebe in 1978 (then as a joint venture between Lennings and Vickers Southern Africa) and employs 379 Blacks, one Indian and 40 Whites.

Isithebe is the ideal location, according to Mr Hume, because it is near enough to Durban for exports, as well as to local outlets, using South African Transport Services. He says productivity has been improving steadily as the very stable workforce benefits from in-house training.

Getting it taped at Loskop



Mrs Vivian Horak at her Loskop shoelace and cord factory.

Vivian Horak, Managing Director of Tapes and Laces KwaZulu (Pty) Ltd, believes decentralisation provides the key to community upliftment.

She plans to treble her staff complement of 60 in the near future with an ambitious expansion and diversification project.

Tapes and Laces operates from a 1 500 square metre factory at Loskop, in the Drakensberg foothills, handily placed on the doorstep of Bata's KwaZulu Shoe Company – a ready market.

Shoelace manufacturing is the company's speciality and Mrs Horak is able to supply the KwaZulu Shoe Company's requirements as well as an established national and export market. The factory began operations in 1982 but a shortage of capacity prevented Mrs Horak reaching the lower end of the market.

However, the company has successfully broken into the export market with supplies already going to Malawi. "We have feelers out elsewhere. Exports to Africa are a possibility," says Mrs Horak.

Tapes and Laces, which works in pre-dyed yarns, also manufactures cords for blinds and the clothing industry.

Saying it with flowers



Mr Che-Huei Chen with a display of his products.

Taiwan-based Formosa Flowers (Pty) Ltd is the quietest factory in Madadeni. The company began production at the beginning of this year and manager Mr Che-Huei Chen believes a full range of artificial flowers will be produced by early next year.

It is a quiet and delicate operation, contrasting with the usual noise and bustle of factories.

The R1 million investment will have to be doubled to achieve full production. At present 150 people – mainly women – are employed to make the colourful silk and plastic flowers, but Mr Chen believes that export market trends indicate a need for expansion. Up to 1 000 new jobs could be created.

The total Madadeni flower production is sent to Texas and 60 percent of the exported flowers are then forwarded for sale in Mexico.

Because of the specialised skills required, Mr Chen's Taiwanese staff initially found training the local employees difficult. However the flower-makers are adjusting well, undisturbed by the outside throb of industry.

The Incentives

Factories which locate at Isithebe, Ezakheni, Madadeni or Ulundi receive the decentralisation benefits listed below:

BDI INTEREST RATE

SHORT TERM INCENTIVES			
Employment for 7 years	Interest Subsidy for 10 years	Rental Subsidy for 10 years	Relocation Allowance
Maximum of R105 per employee (or 95% of wagesalary bill)	70%	70%	To maximum R500 000
LONG TERM INCENTIVES			
Transport Rebate	Housing Subsidy	Tender Price Preference	Training Grant
50%	50% to maximum amounts	10%	Yes

The market-related interest rate of the Board for the Decentralisation of Industry has been reduced from 18,2 percent to 17,7 percent, with effect from July 1. This means KFC clients will have a slightly reduced rental base and a slightly reduced subsidy on investment in productive assets.

KFC LIMITED

The KwaZulu Finance and Investment Corporation (KFC) Limited is constituted in terms of South African legislation, amended by the KwaZulu Corporations Act, No. 14 of 1984.

It is an autonomous body, controlled by a 10-man Board of Directors, which in turn reports to the KwaZulu Legislative Assembly through the Minister of Economic Affairs. This portfolio is the responsibility of the Chief Minister of KwaZulu, Chief M.G. Buthelezi.

The KFC's statutory objectives may be summarised as the promotion of economic development in KwaZulu through investment in, and the provision of support services to, all forms of enterprise within the region.

This is not confined to the fields of commerce and industry but includes the financing of agricultural and housing projects, the provision of services and the exploitation of natural resources.

To meet these objectives the Board of Directors of the KFC has laid down a policy which centres on the provision of opportunities for local entrepreneurs and outside investors.

The intention is that these openings should attract capital, create jobs and provide infrastructure, thus satisfying the Corporation's overriding mission to improve the general standard of living of all the people living within KwaZulu.

To translate these opportunities into income and profits, the KFC is geared to provide loan capital, premises, skills training and a compre-

hensive advisory service to its clients.

New enterprises are specifically favoured, although the expansion of existing businesses is naturally also encouraged.

The Corporation also has statutory responsibility to assist the KwaZulu Government in co-ordinating the work of all non-State agencies engaged in development work in the region.

The KFC is run by highly qualified executives and staff and commands very substantial resources – with an investment budget for the current financial year (1986) of the order of R90 million. Assets held total almost R400 million.

By harnessing the dynamics of the free enterprise system to promote investment, develop business and create employment opportunities, the KFC is confident it is capable of effecting a significant improvement in the economy of the region and the lifestyle of its inhabitants.



THE KWAZULU FINANCE AND INVESTMENT CORPORATION

For further information on the advantages of establishing industries in KwaZulu, write to:

The Industrial Marketing Division, KwaZulu Finance and Investment Corporation Ltd, P.O. Box 2801, Durban 4000. Tel: (031) 907-1055. Telex: 6-24406.

