



KDC

THE DEVELOPER

NEWSLETTER OF THE KWAZULU DEVELOPMENT CORPORATION

P.O. BOX 2801, Durban 4000

APRIL '82 No. 2



**KDC — YOUR
PARTNER IN DEVELOPMENT**

Black people last month bought more than 38 000 shares in tri-partnership companies established by the KwaZulu Development Corporation. Shares owned by black people in these ventures now exceed 255 000.

The KDC's present investment in tri-partnership companies totals R19-million. Seventeen have been formed and several more are in the pipeline. White entrepreneurs have to date invested R3,9-million in these joint ventures. Black people wishing to buy shares should contact the Companies Establishment Division or Mr E. Nyati at the KDC head office, Umlazi. (Tel.: 971055).

CHIEF MINISTER OPENS CENTRE

More than 15 000 people attended the official opening of the KwaZulu Development Corporation's R4,75-million shopping centre at Kwa Mashu on April 17.



Chief Buthelezi being shown around the OK Bazaars supermarket by Mr J.M. Kahn, executive chairman of the Group.

The enthusiasm of shoppers trying to get into the centre was so high that the official opening by KwaZulu Chief Minister and Inkatha president, Chief Gatsha Buthelezi, was delayed by almost an hour.

The centre, which is the third to be built by the Corporation, brings the total investment in tri-partnership companies to R19-million. The other shopping centres are at Madadeni and Umlazi.

The complex, which is as modern as any other shopping centres to be found in the country, has a total of 30 tenants and a lettable area in excess of 9 000 square metres. OK Bazaars KwaZulu Ltd is the core tenant.

In welcoming Chief Buthelezi and other guests to the opening ceremony Dr Anson Lloyd, a director of the KDC, said he was confident that the annual turnover of the centre would rise to R10-million.

Dr Lloyd said that estimated turnover during the first six months of operation would reach R3-million. He said the venture was a classic example of peaceful and profitable co-operation between the people of Natal and KwaZulu.

(To Page 2)

THE DEVELOPER, APRIL '82

MONEY SHORTAGE WORRIES CORPORATION

CAPITAL BUDGET IS REDUCED ONCE AGAIN

The KwaZulu Development Corporation has again been forced to reduce its capital budget and the 1982/83 budget now amounts to just over R27-million, which is considerably lower than last year's original budget of R38,4-million.

The shortage of money at a time of escalating development needs in Kwa-Zulu is a source of great concern to the KDC. A delegation under the leadership of the chairman of the Board of Directors, Dr A.H. Zulu, has discussed the deteriorating financial position of the Corporation with members of the Government in Cape Town.

This year's capital expenditure will be financed by share capital totalling R9,25-million, from self-generated funds totalling R7,79-million and from long-term loans amounting to R10-million. The consolidated loss

for 1982/83 is likely to be just over a million Rand.

The interest charge on loan capital remains the biggest problem facing the KDC and will exceed R5-million in the new financial year. During the 1978/79 financial year interest charges were a mere R51 000.

Allocation of free share capital to the KDC has remained constant at slightly less than 16 per cent of the total allocated to the South African Development Trust by the Government since 1978.

But the effects of inflation have diminished the value of share capital in real terms and forced the KDC to augment the budget by proportionally larger amounts of loan capital.

The level of borrowings can be gauged by the fact that 44 per cent of funds applied by the Corporation since its establishment in 1978 have been from borrowings.

The debt/equity ratio has now reached a level where the Corporation will find difficulty in attracting further loans.

Determined efforts are being made to explore alternative methods of financing and the KDC is on the verge of achieving several breakthroughs.

(From Page 1)

CENTRE OPENS

Chief Buthelezi recalled severe differences of opinion that had arisen when his Government had first introduced the tri-partnership concept into KwaZulu.

"It will be recalled that this caused great panic at the outset as there were certain people who intimidated Black businessmen into thinking that this meant that they were going to be pushed out of existence by White entrepreneurs," he said.

But this had not happened and small traders operating in the same locality as the shopping centres had in fact got more custom.

Chief Buthelezi encouraged Black people to buy shares in tri-partnership companies so that they could share in the profits made. He also reminded them that one of the main purposes of the companies was to stop the leakage of Black spending-power into "White" areas.



Chief Buthelezi stretches out his hand to greet one of the staff. Behind him is Mr J.M. Kahn, executive chairman of O.K. Bazaars, the main tenant of the KDC shopping centre.

FARMER MTHETWA BEATS THE PESTS



Mt Thetwa in his cotton field at Makambane. The two workers picking the cotton are Mrs Ntombiyenkosi Thetwayo (left) and Lungile Mthetwa.



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Five-year-old Salani Ncube was also on hand to pick the cotton.

Mr Johan Mthetwa, who farms at Makambane near Mtubatuba, is one of the first people who has benefited from the Corporation's regional revolving funds from which money can be made available within 48 hours.

He sought the help of the Nwgelezana territorial office when a fine stand of cotton was invaded by American ballworm and aphides. Quick action was needed if loss of the entire crop was to be avoided.

A short-term loan of R600 was made available to him so that the necessary pesticides could be bought to deal with the pests and the treatment proved to be entirely effective.

Mr Mthetwa is currently reaping his crop and KDC officials are confident that the cotton will bring in at least R2000.

He began to farm with cotton in 1979 and now has 3 ha under cultivation. He plans to cultivate more if he can acquire more land.

A successful sugar cane venture on an adjoining 7 ha site allocated to him has made it possible for him to employ a total of 12 people. The short-term loan will be repaid immediately he has received payment for cotton now being delivered to the ginnery at Pongola.



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PROPERTY SOUGHT FOR FUTURE PROFITS

More and more black entrepreneurs are beginning to recognise the wisdom of investing in property and are prepared to forego high profits in the short term in order to realise substantial capital gains in the long term. Several of these businessmen have taken steps to acquire properties developed by the KwaZulu Development Corporation, despite the fact that they yield little or no income at present.

Mr A.K. Dube and Mr M.A. Mazibuko entered into a partnership in order to buy the R117 000 business centre built by the KDC in an effort to stimulate business activity at Ezakheni near Ladysmith.

The complex was completed in 1980 and houses two banks, a doctor's consulting rooms, a handcraft centre, an upholsterer's business and a regional ticket office for KwaZulu Transport.

"Although the centre is not bringing in any money for us at present, we have no doubt that it will prove a good investment. We expect handsome profits in about four year's time," Mr Dube said.

Both Mr Dube and Mr Mazibuko believe the centre provides a service to the local community — they named their partnership Isandla Sosizo (the helping hand) — but are equally convinced that the profit motive is the best incentive for good service.

Mr Dube started out in business with a butchery financed by the KDC in 1976. It brought good returns and he used the business to build up a substantial supermarket.

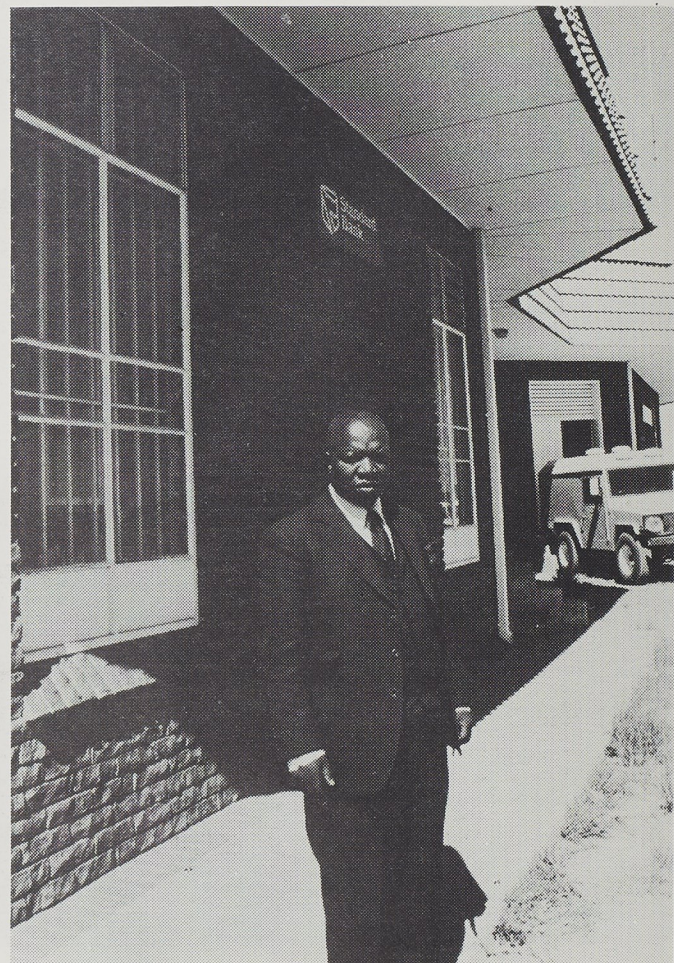
Mr Mazibuko owns a very profitable service station at Osizweni near Newcastle.

Mr M.J. Twala brought a R66 000 centre housing two banks at Osizweni from the KDC in December 1980. Although the centre provides a valuable service in that it is the only banking facility available in the township, it, too, is only bringing in a very small return on capital.

Mr Twala is planning to erect a huge shopping complex near the centre and expects handsome returns once it is complete. He has already got approval from the local town council to build the complex and is negotiating with the KDC for financing the project.



Mr A.K. Dube (left) with Mr D.L. Marais, head of the KDC'S Ezakheni office and Mr M.A. Mazibuko, outside the business centre at Ezakheni.



Mr Twala outside the banking centre.

A hand-painted sign at the roadside near Tugela Ferry advertises the wood-carvings of a man whose handiwork is much in demand from as far afield as Durban.

And while the English spelling may be bad, this does not detract from the ingenuity of the man who has used intermediate technology to earn a comfortable living in a very harsh environment.

Mr A. Mzila began by selling his carvings to passers-by. But he soon realised that he would have to step up production if he wished to make a fair living. Local wood like umThombothi and unBondwe were simply too hard to enable him to achieve a reasonable output if he relied on his hands alone.

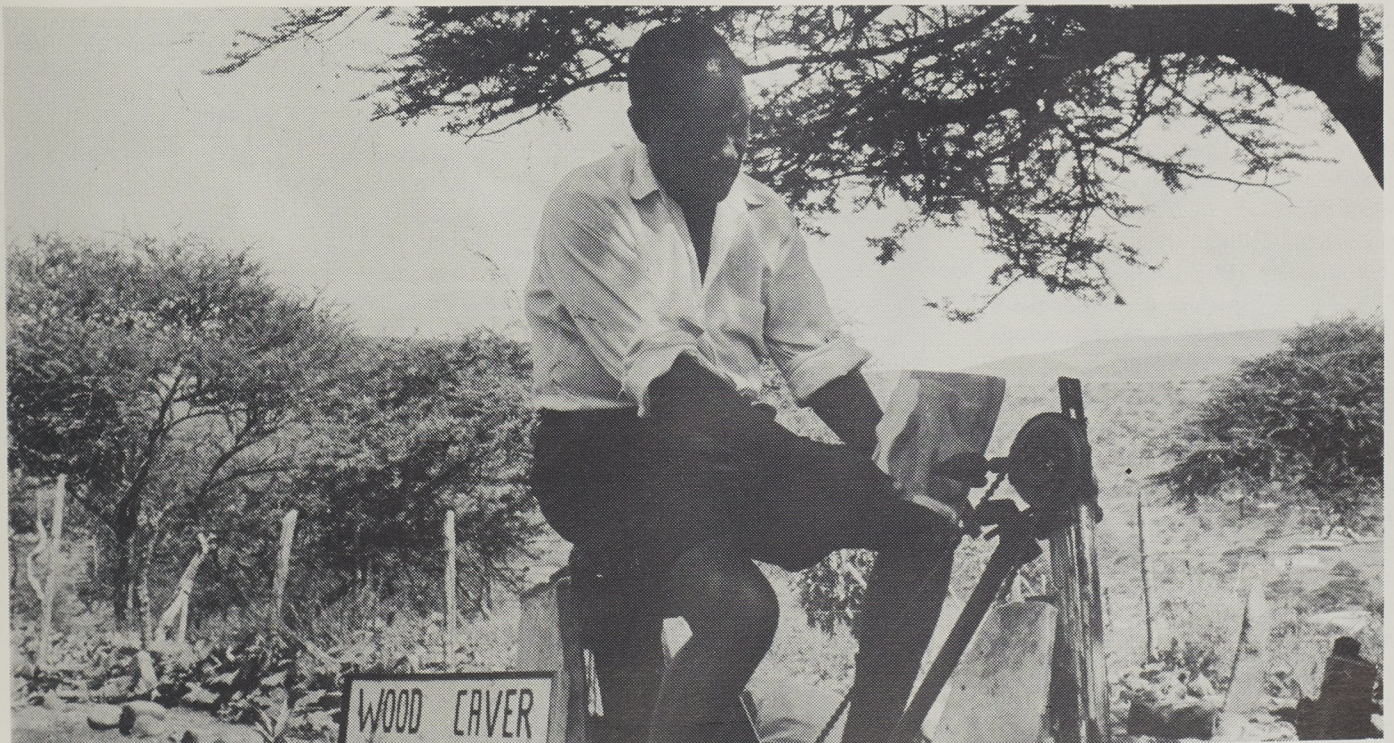
So the enterprising Mr Mzila modified a bicycle by mounting a chuck where the handlebars are normally found. The chuck is driven by a lengthened bicycle chain and he made use of commercial rotary rasps to remove the bulk of the wood from an article he was fashioning. All the finer work is still done by hand using small wood-chisels.

Mr Mzila has built himself a comfortable Western-style house from his earnings and established an elaborate garden modelled on his interpretation of the Garden of Eden.



Mr Mzila and son sawing an umThombothi log in preparation for carving

INTERMEDIATE TECHNOLOGY AT ITS BEST



The spelling may be bad, but the machine works. Mr Mzila at work on his lathe-cum-drilling machine fashioned from a bicycle.

LAND REFORMS A MUST SAYS MOTSUENYANE

Development in Black areas will not take off unless fundamental land reforms are carried out to enable agriculture to be placed on a sound footing.

This is the view of the president of the National African Federated Chamber of Commerce (N.A.F.C.O.C.), Mr S.M. Motsuenyane. He was speaking during a visit paid by the NAFCOC executive to the offices of the KwaZulu Development Corporation.

Mr Motsuenyane said understanding and co-operation were basic to development and development plans would not succeed without them.

He listed four steps in the developmental process.

"Agriculture lies at the root of development. You cannot industrialise without sound agriculture. Our land tenure system is feudal in nature and we should remember that real development in Europe only began after the fall of feudalism," he said.

"I doubt whether development will take off under the present system of land tenure. There will be no progress unless people are given the instrument of ownership of the land."

Mr Motsuenyane said he saw the changing of the land tenure system as a long-term process that would have to be carried out with the support of the chiefs.

"We shall have to persuade the chiefs to recognise the shortcomings of the present system. There are many chiefs who would like to see change, but they regard the issue as a powderkeg."

He said the second stage of development was the establishment of small industries. "We must get away from the idea that the only type of development is large development."

"This is a fallacy. It conflicts with what we have encountered around the world. Throughout the world the emphasis is on small business."

"We have inhibited the informal sector by legal tangles. In Hong Kong there is no licensing — and there is also no unemployment," Mr Motsuenyane said.

He said South Africa had a chronic unemployment problem and the solution to unemployment was for more Black people to become job creators.

Commerce was the third leg of development and Black people had made the biggest breakthrough in this field. It was vital that the restrictions on Blacks in the commercial world should be removed.

"We must address ourselves to the problem of opening up opportunities for Black people in the commercial sector. We would like to see Blacks moving into the White areas," he said.

Mr. Motsuenyane said that while he accepted that White businessmen could not be kept out of Black areas in the long run, they could not be allowed in immediately.

"We are at present unable to compete because we have not had access to capital and knowledge. We will need a period in which to catch up."

The fourth challenge was that of human development through training and education. He said all chambers of NAFCOC had to have training courses and NAFCOC was trying to get the Government to underwrite these.

Mr Motsuenyane paid tribute to the KwaZulu Development Corporation, saying it was a pace-setter in development and an agency that had managed to gain a wide measure of acceptance among Black people.



Mr S.M. Motsuenyane, President of NAFCOC.

QUOTE

"Most people concerned with development are agreed that the creation of job opportunities for a burgeoning Black population must be the top priority."

"The KwaZulu Development Corporation is convinced that the development needs of a people are best served by seeking out entrepreneurs and encouraging them to create jobs through private enterprise."

Both the above statements were taken from the editorial in the first issue of *The Developer*. Since the proof of the pudding lies in the eating, it is worthwhile to test the theory against practical development projects.

The centre for small industries at Madadeni outside Newcastle is, in our view, a project in which practice matches theory.

The centre consists of 13 units, which are currently occupied by 11 black entrepreneurs. Two of them occupy two units each.

The complex was completed in December last year at a cost of R106 000. The entrepreneurs have created jobs for 50 people. It thus cost just over R2 100 to create each job which is almost ten times lower than the cost of job creation in industrial growth points in the country.

The industries established in the centre at Madadeni include clothing, light engineering, carpentry, leatherwork and upholstery, printing, electrical, draftsmanship, radio repairs and handicrafts.

Total monthly turnover achieved by the 11 entrepreneurs exceeds R38 000, with some individuals notching up R12 000 a month in a single business.

Several have managed to penetrate the white market in the area by offering their products at keener prices.

Mr Elijah Dube, who began his welding business in his back yard before moving into the KDC centre, makes steel window frames and secured many orders from builders by beating the prices of building merchants in Newcastle itself. He began his business with a loan of R8 000 from the KDC.

SUCCESS STORY AT MADADENI

Mr L.J. Mkhulise owns an electrical business and has won several big contracts in the Newcastle area. He has a provincial wireman's licence and employs a total of eight people.

Mrs Elda Zulu has a clothing business, concentrating mainly on the making of school uniforms. But she too, has managed to beat competition from white areas and gets many orders from dress shops in Newcastle.



Mrs Elda Zulu (left), with one of her employees, Mrs Anna Mguni.



Mr Elijah Dube in his light engineering works.

Mr R.P. Khuboni (32) has been appointed manager of the huge Checkers supermarket in the KwaZulu Development Corporation shopping centre at Madadeni. He is the first black man to hold such a position in the company.

Mr Khuboni has been with Checkers for six years and previously served as customer service and administration manager at the Madadeni supermarket.

The 52 Black staff members under his control have welcomed the appointment and there are indications that his promotion has also met with wide approval from customers.

Mr Khuboni hails from Deepdale near Pietermaritzburg, is married and has three children. Before joining Checkers he was an accounts clerk with KwaZulu Transport.

CHECKERS GETS FIRST BLACK MANAGER



Mr Khuboni at his desk at Madadeni.

BUS RANK

The new bus rank established by the KDC outside the main shopping centre at Madadeni came into operation in May 23. All buses operating at Madadeni will stop at the rank. The facility was provided for the convenience of shoppers. A taxi rank will soon be provided near the bus rank.



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Escalating interest rates are in the news constantly these days and are making ever greater inroads into family budgets. The interest charge on loan capital is also one of the biggest problems facing the KDC and will exceed R5-million this year.

INTEREST RATES

But the interest rates charged for business loans granted by the KDC remain well below ruling market rates.

The KDC interest rate on business loans remained constant at 7,5 per cent from 1959 to 1977. It was increased to 9,5 per cent in March 1977 and to 11,5 per cent in September 1981.

The estimated average prime overdraft rate was 10,25 in 1977, increased to 12,0 per cent and remained at that level until September 1981 and jumped to 15,25 per cent between September 1981 and March 1982. The current rate is in the region of 20 per cent.



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Editor: A.J. Königkrämer Editorial Board:
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