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REPUBLIC OF SOUTH AFRICA

PERMANENT COMMITTEE FOR THE LOCATION OF INDUSTRY AND THE DEVELOPMENT
OF BORDER AREAS

REPORT OF ACTIVITIES FOR THE PERIOD 1 JANUARY 1967 TO 31 DECEMBER 1967.

A. INTRODUCTION

In the 1966 annual report of the Permanent Committee it was pointed out that the Government's policy of deceleration led to a decline in the tempo of border area development during that year, as compared with the previous two years.

In 1967 the growth rate of industrial development in the country as a whole decreased, not only as a result of the restrictive fiscal and monetary measures but also owing to the relaxation of import control. Under the circumstances no great expectations were cherished for border area development during the past year. Indeed, an industry such as textiles, which is ideally suited to the border areas, entered a difficult phase. Other industries also well represented in those areas, such as metal products, experienced similar difficulties.

The tempo of industrial growth in the border areas was therefore slower in 1967 than in the preceding years. Nevertheless, the results achieved which are set out below are very encouraging under the circumstances.

A feature of 1967 is that the border area complexes near the metropolitan areas, particularly Rosslyn and Pietermaritzburg-Hammersdale, are now self-sustaining and have reached a "mature" stage. Service industries and industries related to those that were originally established in those areas are now being undertaken there more readily. The Permanent Committee therefore decided to be much more selective in rendering assistance there.

As soon as industrial growth gets into stride again, the Committee will focus its undivided attention on the more remote areas in order to create self-sustaining decentralised growth points there too.

B. A REVIEW OF THE BORDER AREA PROGRAMME FOR THE 7½-YEAR PERIOD
FROM ITS INCEPTION IN JUNE 1960 TO 31 DECEMBER 1967

1. RESULTS ACHIEVED IN THE BORDER AREAS. 1960/67

The contribution that the development of border areas must make to check the flow of the Bantu from the homelands to the White areas, quite apart from the long-term objective of accomplishing the flow-back from the White regions, may be summarised as follows: The potential of additional Bantu males becoming available in the Bantu areas for the labour market during the period 1960 to 1970, is estimated at an average of 35,000 per annum. (In the Republic as a whole the number of economically active Bantu males increased by about 58,000 per annum).

One in every four Bantu males economically active in the Republic as a whole, is employed in secondary industry. On this basis, employment for at least an additional 9,000 Bantu males per annum must be provided in industry in the border areas. From 1960

to 1967 an annual average of approximately only 5,000 Bantu males were provided with employment in the border areas. If this criterion is applied, approximately double the number of employment opportunities will have to be created for the increase of Bantu males from the homelands only.

Against this background, the progress of border area development can be summarised as follows:

In 1960 an estimated 76,000 workers were employed in secondary industry in the border and Bantu areas. From 1960 to 1967 employment in the border and development areas described in section C of this report increased by more than 62,000 persons, as against a total increase in secondary industry of \pm 330,000 over the same period. For Bantu workers the picture is relatively more favourable. In 1960, 55,000 Bantu were employed in the border and Bantu areas and this figure has since increased by 49,000, compared with an increase of 161,000 for the country as a whole.

The total direct additional investment in secondary industry in the border areas undertaken with or without assistance since 1960, which led to the additional employment of the 49,000 Bantu mentioned above, amounts to an estimated outlay of more than R296 million. This relatively big increase of R76 million in the total investment compared with that for the year ended 31 December 1966, is mainly due to a few large expansion projects the influence of which on employment has not yet taken effect.

During the past $7\frac{1}{2}$ years, assistance by the State in some form or other led to 123 new industrial undertakings. The corresponding figure for expansions of existing undertakings in border areas is 66.

The Permanent Committee is aware of a further 104 new undertakings and expansions of existing undertakings that have been undertaken without assistance in border areas since 1960.

The abovementioned figure of 66 undertakings does not keep count of the numerous expansions of new undertakings that have been established in border areas since 1960, some of which have expanded as many as three times during the past $7\frac{1}{2}$ years.

It must be stressed that the Permanent Committee is not aware of all new undertakings and expansions; there are indications, however, that the climate for the establishment of industries in the border areas, particularly those near the large markets, has improved considerably since 1964. The Permanent Committee is also aware that mining activities on a large scale have commenced in the border and Bantu areas at Kuruman, Steelpoort, Phalaborwa, etc., leading to extensive employment of Bantu in those areas.

According to the 1960 population census, 35.5% of the Bantu population was economically active at that time. On this basis and with the information at the Permanent Committee's disposal, it is estimated that the employment of the abovementioned 49,000 Bantu over the past $7\frac{1}{2}$ years provided a home and livelihood for approximately 138,000 Bantoe in the border areas and consequently the Bantu areas.

The above extremely conservative calculation of 138,000 Bantu people represents the minimum effect of the employment of 49,000 Bantu in industries. A further direct result of industrial employment is its catalytic effect and the increase in employment in the construction industry, i.e., roads, schools, housing, dams, etc., the tertiary industries and social services.

As it is difficult to determine the influence industrial growth in the border areas has on general employment, the Committee confines itself to industrial employment only.

2. ASSISTANCE TO INDIVIDUAL INDUSTRIES AND LOCAL AUTHORITIES FOR THE 7½-YEAR PERIOD, JUNE 1960 TO DECEMBER 1967

Since June 1960, 706 applications for assistance in connection with the establishment or extension of industries in border areas have been received. Of these, 326 cases have been rejected or withdrawn, 342 approved, and a further 38 cases are still receiving attention.

The assistance rendered in respect of border areas since 1960, can be briefly summarised as follows :-

(a) Financial assistance (excluding assistance in respect of housing for Whites)

Financial assistance from border area funds granted by the Industrial Development Corporation in the form of loans, share capital and factory buildings in 107 cases in the border areas involves commitments of more than R47 million. Of this amount, R41.4 million had already been taken up on 31 December 1967, while R2.8 million had been repaid and/or withdrawn. A further 9 applications for financial assistance to the amount of R1.2 million were still under consideration at the end of 1967. The Industrial Development Corporation also incurred further commitments to the extent of approximately R5.1 million in other economic development areas. Details of this assistance, already taken up, are given in section C.

(b) Tax Concessions (excluding concessions on housing for Whites)

In 205 cases the enhanced investment and initial allowances were approved by the Minister of Finance on the recommendation of the Permanent Committee in respect of investments in buildings and machinery amounting to R98.4 million. The additional 10 per cent tax allowances on the cost of power and/or water and/or transport were granted in 72 cases. These concessions amount to tax rebates of R5.5 million spread over a number of years.

A further 28 applications for tax concessions in respect of investments of approximately R18.7 million were still under consideration at the end of 1967.

(c) Housing for Whites

Commitments for funds amounting to approximately R2.6 million have already been incurred in connection with the erection and purchase of 264 residential units for the White key personnel of 20 border area industrialists, while industrialists themselves provided 119 houses at a cost of R1.3 million.

Since May 1964, tax rebates have been approved in respect of 278 of the abovementioned houses erected at a cost of R2.6 million. These rebates amount to approximately R774,000, spread over at least ten years. These amounts reflect the importance of this measure in the border areas.

Applications by 8 industrialists for tax rebates in respect of 160 residential units were still under consideration at the end of 1967. These applications involve tax rebates amounting to R349,000.

(d) Wage and other Assistance to Individual Industrialists.

Wage concessions were granted in five cases and road transport concessions in seven cases.

In some instances more than one form of assistance was rendered to an undertaking. The number of cases quoted in paragraphs (a) to (d) above therefore exceeds the number of 342 applications already approved.

(e) Assistance to Local Authorities

Loans amounting to R385,000 for a period of 20 years at 2 per cent interest per annum for the first ten years and at normal rates thereafter were granted to three municipalities in border areas for the provision of essential rail facilities for industrial sites. A further application for a loan of R151,000 was still under consideration at the end of 1967.

(f) Transport Rebate

The cost to the Treasury of the 10 per cent railway rebate on industrial products for the Transkei/Ciskei area, which came into operation on 1 May 1964, was R757,000 for the period ended 31st December 1967.

3. ASSISTANCE FOR THE CALENDER YEAR 1967

During 1967 the Permanent Committee considered 191 applications, 50 of which had been carried over from the previous year. Of the 191 cases, 62 were rejected or withdrawn, while 91 were approved and a further 38 were still under consideration.

The applications considered by the Permanent Committee during 1967 in respect of new undertakings and expansions of existing undertakings which have been or are at present being launched with or without assistance, would mean an initial employment of approximately 5,100 persons, 4,500 of whom are Bantu.

The following assistance was given (in some cases more than one form of assistance was granted to a single undertaking) :-

(a) Financial Assistance (excluding assistance in respect of housing for Whites)

In 1967 commitments amounting to approximately R5.7 million (nett) were incurred in 16 cases by the Industrial Development Corporation from border area funds in the form of loans, share capital and factory buildings.

(b) Tax Concessions (excluding those on housing for Whites)

In 72 cases, additional tax concessions were granted to industrialists in respect of investments amounting to R27.1 million, as well as, in some cases, in respect of the cost of power, water and transport. These concessions involve tax rebates of approximately R1.6 million, spread over a number of years.

(c) Housing for Whites

Funds amounting to approximately R282,000 were made available by the Industrial Development Corporation during 1967 to 10 border area industrialists for the erection of 27 residential units. In addition to the R282,000, an amount of R171,400 had to be paid to the Department of Community Development in respect of arrear costs of repair, rent and interest payments on houses for key personnel that were erected before 1965 in a few border areas and were taken over by the Industrial Development Corporation during 1967.

Tax rebates were approved in respect of 40 houses erected at a cost of R377,000. These concessions involve rebates of approximately R79,000, spread over at least 10 years.

(d) Assistance to Local Authorities

During 1967 no loans were granted to municipalities for the provision of rail facilities for industrial sites. One application, however, was still under consideration at the end of 1967.

(e) Wage Concessions and other Assistance to Individual Industrialists

During 1967 partial road transport concessions were granted in one case.

(f) Transport Rebate

The 10 per cent railway rebate on industrial products in respect of the Transkei/Ciskei area which came into operation on 1 May 1964 cost the Treasury nearly R240,000 during 1967.

4. GROWTH POINTS IN THE BORDER AREAS

During 1967 it was decided to focus attention on the centres mentioned below in order to encourage growth points there. The maximum assistance in terms of the existing measures is rendered in these centres :

East London/King William's Town.

Queenstown

Kokstad.

Ladysmith/Colenso

Empangeni/Richard's Bay.

Phalaborwa.

Tzaneen.

Pietersburg.

Brits/Rustenburg and Mafeking.

Although the demand for employment opportunities in a few of these areas is relatively high, the prospects for industrial development in some are extremely limited at this stage.

The clothing industry is at present being encouraged on a selective basis in the border areas.

The following progress has been made in the respective border areas:-

(a) Hammarisdale

This border industrial area, the first of three that have thus far been laid out by the Government, is now fully developed and provision is only being made for the normal expansion requirements of the established undertakings. Some of these undertakings have expanded their factories three times and are planning a fourth extension.

Since 1961, thirteen industries have been established there, including one factory which was in operation before the Elangeni industrial centre was developed in the Hammarisdale area early in 1961 by the Industrial Development Corporation. The 13 industries will be employing approximately 7,000 persons, of whom more than 6,000 will be Bantu. Commitments incurred by the Industrial Development Corporation in respect of factory buildings, loans, estate development and housing for key personnel already amount to R10.9 million, whilst investment by industrialists is estimated at more than R9 million.

During 1967 the Department of Bantu Administration and Development commenced erection of the first houses of a Bantu township of ± 7,000 homes for Bantu factory workers.

Sufficient additional water will also be available in the near future from the Midmar Dam.

(b) Rossllyn

In terms of the Government's programme for the development of border areas it was decided in September 1961 to lay out a border industrial township at Rossllyn. The township was officially opened as a border industrial area in September 1962 and in 1966 it was found necessary to extend the township.

The total size of the industrial township (the existing part as well as extension No.1) is 613 morgen, of which 431 morgen is industrial ground. A number of industrial sites in the extension have already been allocated and the first factories are being erected. A second factory-nest building erected in the extension by the Industrial Development Corporation at a cost of R275,000 was completed early in 1967 and is already occupied by six small undertakings.

At present 44 factories at Rossllyn are in production or in the course of construction, whilst a further five undertakings have purchased sites.

When all the abovementioned 49 factories are in production, they will be employing 6,200 persons of whom approximately 5,300 will be Bantu. Eight applications are still receiving attention. The total direct investment in the industrial area in respect of the abovementioned undertakings is estimated at approximately R34 million. Up to 31 December 1967, the contribution by the State in the form of basic services provided and financial assistance to individual industrialists for the erection of factory buildings, houses for key personnel, etc., already amounted to R10 million. (An amount of R589,000 has been recovered at the end of 1967 through the sale of land.) Investments by industrialists therefore amount to approximately R24 million. Up to September 1967, 4,938 houses have been erected at a cost of almost R3 million in the Bantu townships Garankuwa and Boekenhoutfontein in the nearby Bantu area. The cost of services such as roads and drainage, water supply, sanitation and electricity at that date amounted to R2.3 million, whilst R985,000 had been spent on schools and recreation grounds.

(c) Pietermaritzburg

During the past three years, 19 new undertakings have been established at Pietermaritzburg, as well as 2 Indian undertakings, to which reference is made in section C. Thirteen undertakings expanded their activities in this period. Commitments in respect of border area assistance to some of the 32 undertakings in the form of loans and/or leasehold buildings already amount to R2.4 million, whilst the investment of industrialists is estimated at approximately R33 million.

The additional employment as a result of new industries established and the expansions of existing undertakings is already estimated at 4,900 persons, of whom 2,500 are Bantu and 1,900 Asiatics.

It would appear that the abovementioned three industrial complexes are now able to make headway on their own and in general would justify little encouragement.

(d) The Tugela Catchment Area

Since Hammarsdale is fully occupied and good progress in the industrial field is being made in Pietermaritzburg, the Permanent Committee is encouraging industrialists to locate their factories ever further away from the Durban complex. The most important growth point in the Tugela catchment area is the Ladysmith/Colenso area. Centres such as Estcourt and Newcastle, both of which are situated on the main road and main railway line between Durban and the Southern Transvaal, also offer possibilities for further industrial development.

(e) Empangeni/Richard's Bay

The planning of the harbour and environs, including industrial and residential areas and also other facets of development is continuing. The S.A. Railways are also proceeding with the construction of the rail connection between Empangeni and Richard's Bay to serve the envisaged aluminium smelting works and further industrial development in the area.

At this stage it is not yet possible to indicate when industrial sites will be made available.

(f) The Ciskei Area

During 1966 there were clear indications that the industrial climate in the Ciskei area had improved considerably, especially as a result of the more favourable measures that became effective in May 1964. The anticipated growth for 1967 was not quite achieved because of certain restraining factors and the effects the deceleration policy has had on business activities in the area. The Permanent Committee visited the Ciskei in May 1967 and steps are being considered to invigorate development in that area.

During the Committee's visit to the Ciskei in May 1967 the following restraining factors in the development of East London were evident :

(i) High electricity charges

The area charges are high already and are being increased by Escom by 5% from 1968. Apparently there is a slight possibility that the area will be integrated with a national Escom network within the next few years, but this will not result in lower tariffs. It is more likely that the tariffs will increase as a result of surplus capacity. No solution for this problem could as yet be found.

(ii) Heavy burden of basic facilities

The Bridle Drift Dam, for example, will cost almost R6 million and annual capital charges on this amount will be approximately R475,000 or 25% of East London's present rates income, whilst it will take a long time before the water can be utilised to a reasonable extent. After strong representations by the Committee a subsidy of $33\frac{1}{3}\%$ of the capital cost of the dam was approved by the Department of Water Affairs. This concession will afford a welcome relief.

(iii) The 10% Transkei/Ciskei Railway rebate

This rebate is not of much assistance to industrialists in enabling them to compete in the main markets. Furthermore, although they are often able to compete as a result of express delivery, the 25% surcharge on the express goods service of the Railways, virtually keeps them from the market.

(iv) High Harbour dues

Manufacturers in the Ciskei could utilise coastal shipping profitably to hasten delivery and so enhance their ability to compete in the main markets, but in most cases the relatively high harbour dues render the utilisation of coastal shipping uneconomical.

Certain proposals regarding these and other problems will be submitted to the Government in the near future.

According to records, 23 new undertakings have been established and 20 have expanded since 1960 in the Ciskei area (of which East London, King William's Town and Queenstown are the most important centres). Commitments in respect of border area assistance in the form of loans and leasehold buildings amount to more than R13.5 million. The additional private investment of the new industries and extensions of existing undertakings amount to more than R8 million, whilst additional employment is estimated at more than 13,000 persons, of whom 10,500 are Bantu.

Steps taken by the Government to stimulate the climate for the establishment of industry in the Ciskei were enumerated in the previous report. The schemes that received further attention during 1967 are briefly supplemented below :

(i) The wall of the Rookkrantz Dam, which supplies water to King William's Town, the Good Hope Textile factory and the Bantu township Zwelitsha, was raised at a cost of R350,000.

(ii) Up to September 1967, R4.5 million has been spent on the erection of 7,900 dwellings in the two large Bantu townships, Zwelitsha at King William's Town and M'dantsani at East London, for the housing of industrial labour. The cost of services as at the date mentioned amounted to R4.9 million, whilst R641,000 was spent on schools and recreation grounds.

(iii) A report on the possibility of developing an industrial township at Berlin, C.P., has been prepared and presented by a technical committee consisting of representatives of the municipalities and divisional councils of East London, King William's Town and Berlin. This report will be considered by the Permanent Committee shortly.

(g) Phalaborwa, Tzaneen, Pietersburg/Potgietersrust Area and the Rustenburg/Brits area

(i) Phalaborwa

The industrial township is still being laid out and fully economic prices for industrial sites are being charged. The industrial township is 520 acres in extent of which 400 acres will be provided with Railway siding facilities. The cost of developing the industrial township is estimated at R1.4 million. At the end of 1967 an amount of R601,502 had been spent or committed for the purchase of the required land for the first stage of development. Industrial sites could be made available during 1967 and a few have already been allocated.

The mining sector is still growing. The envisaged electrolytic copper plant of R2.5 million is a good example in this regard.

(ii) Pietersburg

During 1967, four new undertakings were established at Pietersburg, and at least three undertakings are engaged in expansion programmes. During the past 7½ years, 16 new undertakings have been established here. During the same period, 10 undertakings have expanded. The 26 undertakings mentioned are employing 2,300 persons, of whom 2,100 are Bantu.

Up to December 1967, commitments in respect of border area assistance in the form of loans and factory buildings amounted to R700,000.

All the available industrial land has been taken up but an extensive new industrial area will be ready in the foreseeable future. Good progress is being made with the provision of water to this area on a regional basis.

(iii) Potgietersrust

Owing to a lack of industrial land and insufficient water, no industries were established at Potgietersrust during 1967. These aspects are receiving attention but it will take time before the planned water scheme is completed and additional industrial sites can be made available.

(iv) Tzaneen

Further industrial development still depends on whether the necessary industrial land can be found at Tzaneen. The town has available considerable agricultural and forestry raw materials, as well as water supplies upon which industrial development can be based.

(v) Brits and Rustenburg

With a view to the location of industries further away from the Southern Transvaal metropolitan complex, Brits and Rustenburg are regarded as alternative locational centres to Rosslyn,

which is now approaching saturation point. An industrial area near Brits, which will be favourably situated in relation to rail connection and the Bantu homelands is under consideration.

Rustenburg already has industrial sites available and an additional area will be developed according to demand. A pipeline from the Rand Water Board Scheme to Rustenburg was completed during 1967.

5. BASIC FACILITIES IN THE BORDER AREAS : GENERAL

(a) Bantu Housing

According to the most recent information available, more than 35,000 houses were completed in 36 Bantu townships in the Bantu areas, close to the border areas, by September 1967, at an estimated cost of R18.5 million. This represents an increase of 11,000 houses at an additional cost of nearly R6 million since March 1966. When the cost of other services such as roads, drainage, water supply, sanitation and electricity is included, the total cost exceeds R34 million. In addition, more than R2 million has been spent on schools, recreation grounds and public buildings.

(b) Water supply

The total cost of water schemes in border areas, approved since 1960, is estimated at R46.6 million. Fifteen schemes are involved, most of which are of a general nature but nevertheless fit in with decentralisation.

C. ASSISTANCE TO ECONOMIC DEVELOPMENT AREAS

Since the Government decided in March 1965 also to extend border area advantages to other decentralised areas where substantial labour surpluses of racial groups other than the Bantu exist, assistance has been granted to:-

(i) one new White undertaking and four new Indian undertakings based on Indian labour;

(ii) one new White undertaking based on Coloured labour;

(iii) the extension of one White undertaking for the employment of Indians;

(iv) the extension of three White undertakings with a view to the employment of Coloureds.

These undertakings represent a total investment of more than R22 million, of which the Industrial Development Corporation has provided approximately R5.2 million in the form of loans. Together, these five undertakings employ an additional 171 Whites, 824 Coloureds and 1,537 Asiatics.

The Committee is also aware of one new undertaking expanded without assistance, which provides employment for 150 Coloureds.

It would appear that the labour surpluses in these areas are not as large as was originally anticipated and assistance is therefore considered with caution in order to prevent development from being so rapid that it may draw Bantu labour from the homelands.

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