

MANUFACTURING — CHEMICALS & PRODUCTS

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Saldanha Bay fiasco

(183) (SB) ST(M) 17/9/95
BY CHARL DE VILLIERS

A TRAIL of ineptitude and faulty planning has been uncovered by a Metro investigation into last week-end's disastrous oil spill in Saldanha Bay — prompting the country's top pollution expert to call for a total review of flawed protection measures

Dr Lynn Jackson, who is responsible for combating coastal oil pollution, said she, together with the relevant authorities, would review the flawed protection measures with the view of "closing gaps"

It took just three minutes for 66,5 tons of crude to be flushed into the sea while oil was being pumped into a tanker from the nearby Strategic Fuel Fund tank farm in last week's spill

The following serious flaws have come to light in the resulting mop-up operation

- A boom system designed to contain 7 000 barrels of oil had leaked,

- Harbour officials took nearly two hours to notify the Department of Environment Affairs of the spill,

- The NPB, which manages the nearby West Coast National Park, had been informed too late to send people to the scene before nightfall,

- Port control could not handle communications,

- A crisis centre was set up more than 24 hours after the spill,

- Absorbent bags meant to mop up oil between containing booms had escaped and washed into the lagoon about 6km away, and

- The SA National Defence Force refused to let Parks Board and Sea Fisheries scientists into the Donkergat military base to monitor spillage

While experts and SFF clean-up crews agree most of the spill was contained, some oil nonetheless slipped underneath the floating booms

Following the unsuccessful attempts to contain the relatively minor spill, oil pollution experts have predicted that any spill which happened outside Saldanha Bay's quayside oil defences would spell disaster for the entire Langebaan Lagoon

"There is not one country in the world that could deal with a major spill in the Saldanha Bay situation. It is logistically not possible," said Dr Jackson, acting head of pollution control at Sea Fisheries

National Parks Board environment chief Sarel Yssel was joined by ex-SA Petroleum Industry Association advisor Rodney Camp in slamming Saldanha Bay as a high-risk port not suitable for oil transfers

The biggest headache for oil pollution authorities, however, was ships in transit, according to Dr Jackson

While tankers were routinely surrounded by up to 600m of booms when docked, this protection would not be in place for ships entering or leaving the bay, she said

Wind-driven oil moved quickly on water and, combined with strong tides, it would be virtually impossible to seal Langebaan Lagoon



SLICKBUSTER . . . Saldanha Bay's "Velle" Jacobs swung into action to wage war on oil slicks which threatened Langebaan's world-famous wilderness wetlands
Picture: Terry Shean



JULIE WALKER
DIAGONAL STREET

R1bn tariff protection 'gives Sasol more mileage'

ST(BT) 17/9/95 (183)

JOE Stegmann, chairman of Sasol, furnishes a comparative defence of the group's R1-billion tariff protection enjoyed by its synthetic fuel business.

"Are you asking why Synfuels is subsidised when it breaks even anyway and Sasol Chemicals, for example, is making a lot of money?"

"Well, it's the same as asking why Anglo American gets tariff protection on its automotive business when the rest of the group is doing well," says Mr Stegmann.

Is it?

Paul Kruger, Sasol's managing director, had earlier complained about the unfair treatment Sasol would suffer if the recommendations of an Arthur Andersen report on the synfuel subsidy were to be adopted.

"We would be treated more harshly than other manufacturing companies. We are not asking for tariff protection forever. Protection should be scaled down, but not to zero by 2000 because we need time to restructure."

Mr Kruger says tariff protection is a macro-economic issue which takes into account the level of the protection against

the value of the recipient's contribution to the economy. Some neat maths proves beyond doubt — to Mr Kruger, at least — that Synfuels contributes more than six times the level of the protection, resulting in an effective 17% tariff equivalent.

"Up to 30% is considered an extremely modest level of tariff protection."

Whichever way the sums lean, the fact is that Sasol shareholders do better out of it than taxpayers and consumers.

Mr Kruger says that, in time, technological innovation will permit Synfuels to be profitable even without tariff protection. As part of the upgrade at Synfuels, a newly installed Sasol Advanced Synfuel reactor replaced 16 old ones with six new ones.

The effect on production costs could be significant, but there is no magic wand to be waved in order to renew everything overnight when each costs well above R100-million.

Sasol already has a R3-billion capital expenditure programme on the cards over the next five years. The group has an unexploited chemical element — only a fraction of the acids, alcohols, alpha-olefins, propylene and

ethylene arising in current manufacture is used in other processes.

Projects earmarked include propylene and polypropylene expansion, more hexene and pentene trains, acrylics, oxo-alcohols, acetates, methanol, glycol and synthetic lubricants. Unleaded fuel could make up 20% of production within two years of its being approved. Sasol is also exploring in Namibia and Algeria.

Mr Kruger expects an overall increase in profit in the year to June 1996. His optimism is based on increased chemical production volumes, continued good performance from Synfuels and an improvement in mining yield, which he expects will offset weak refining margins and chemical prices (although Mr Kruger expects prices will recover when China resumes buying).

A weaker rand is a double-edged sword. Sasol exported R1,8 billion of chemicals and alcohols in the year to June 1995, leading to a record operating profit of R877-million from the chemicals division.

Synfuels chipped in R1,2-billion, but Mr Kruger expects chemicals to overtake it this year. Mining contributed R311-million — R63 million below last year's but after extensive capital expenditure to increase production by 3,8-million tons a year.

Oil made R390-million for a total of R2,8-billion, 11% more than in the year to June 1994 on a 21% climb in turnover to almost R12-billion.

Sasol earned interest of R143-million compared with paying R75-million last year, when too high a provision for secondary tax on companies was also made.

This led to a 24% climb in income after tax to R1,9-billion, or 323,1c a share. The cash dividend alternative to scrip totals 102c for the year. The share price shed 90c to R31,35 after the results, at which price it looks cheap. Talks with Engen have been discontinued because of a dispute with oil company Total over pre-emptive rights. Total has 36,3% of crude oil refiner Natref, Sasol the balance. In 1993, Sasol transferred its holding in Natref from Sasol Mining to Sasol Oil in an inter-group transfer.

Total says it should have been able to exercise pre-emptive rights to the Sasol shareholding. The matter goes to arbitration early next year.



TIME PLEASE . Paul Kruger, Sasol's MD

Saldanha study starts

183
Michael Moon

6013/19/95
A SPECIAL "scoping study" is being undertaken by the CSIR as the first step in a planned environmental impact assessment for the controversial proposed expansion of the oil loading facility in Saldanha Bay.

All interested and affected parties can participate in the first phase of the study, a "process review" on how the CSIR should approach the investigation.

The second, scoping phase will ensure all issues, concerns and alternatives to the planned development by the Strategic Fuel Fund Association are identified and investigated.

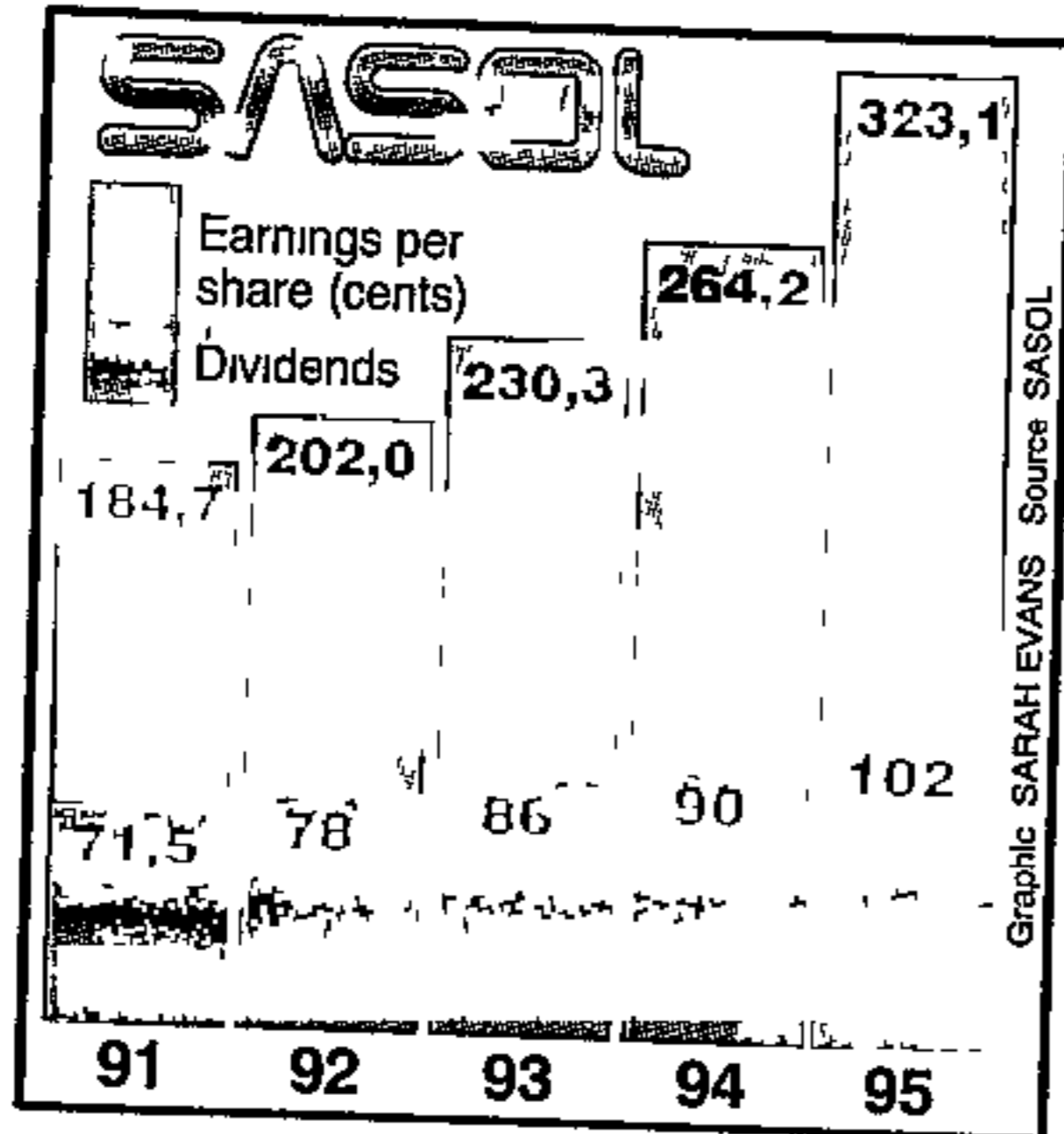
A background document will be distributed to interested parties for comment.

Crowther Campbell & Associates is handling public consultation. For more information contact Jonathan Crowther at (021) 461-1118, or by fax on (021) 461-1120.

Chemicals pump up Sasol's performance

(183) BD 13/9/95
Nicole Mordant

A STURDY performance from its chemical operations and a surge in



group exports pushed Sasol's attributable earnings 24,2% higher to R1,86bn in the year to June, despite profit falls in the oil and mining sector

The group's synthetic fuel division received tariff protection of slightly more than R1bn compared to just below R1bn the previous year, Sasol MD Paul Kruger said

Earnings a share rose 22,3% to 323,1c on turnover of R11,95bn (R9,84bn) A final dividend of 55,5c (48c) was declared for shareholders declining the capitalisation award, hoisting the total dividend 13,3% to 102

Interest earned on cash balances and a reduction in borrowings on the Sasol Three project saw net interest received amount to R143,1m, swinging from R76,6m net interest paid

Kruger said a resurgence in world

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Sasol (183)

Continued from Page 1

BD 13/9/95
chemical prices and increased production volumes saw the business's operating profit more than double to R876,8m It expanded its contribution to group operating profit to 31% (17%)

Its chemical businesses would continue to produce profits as they had plenty of "unexploited potential" which would be exploited through a R3bn injection in various projects over the next three to five years, Kruger said Exports by group companies swelled more than 100% to R1,7bn, largely attributable to the chemical business's exports increasing by almost R800m

Synthetic fuel operations were hit by a reduction in the tariff protection

floor price of crude oil from \$22 a barrel to \$21 a barrel, but Sasol still received more than R1bn from SA motorists

Kruger said the "million-dollar question" was whether government would adopt the Arthur Andersen report into Sasol's synfuel protection. A decision was expected this year The report, which recommended a reduction in tariff protection to zero in four years, "treated Sasol more harshly than everyone else", Kruger said If the proposals were implemented, pre-tax income would plummet about R150m this financial year

Sasol Oil was hard hit by a 30% fall in international refining margins and resulted in operating profit decreasing 24% to R389,5m Sasol Mining's profit fell 14% to R311,8m

Saldanha anti-pollution readiness questioned

(56) (183) ARG 13/9/95
JOHN YELD

Environment Reporter

ABOUT 500 barrels of oil, or 66 tons, was spilled from the tanker Hawaiian King into Saldanha Bay last Friday — 16 times more than the original estimate of 5 000 litres.

The Strategic Fuel Fund termed the clean-up operation "highly effective and successful", and said it indicated the anti-pollution measures and facilities at Saldanha Bay "could be employed with confidence in such a situation".

But the National Parks Board has questioned the effectiveness of the control measures, and questions are being asked about why the West Coast National Park warden was informed about the spill only four hours later, and why there was the huge discrepancy in the reported size of the spill.

The Democratic Party has added its voice to concerns expressed by environmentalists, saying the oil spill was "dramatic proof" of growing evidence that the proposed oil storage deal with Iran was undesirable.

"The oil spill this weekend will cost R3,5 million to clean up. What will it cost to clean a spill double this size?" asked DP Western Cape leader Henne Bester.

"Is the R50 million annual earnings of the Strategic Fuel Fund worth this financial risk — not to mention the

environmental risk? We believe not."

In a statement yesterday, Strategic Fuel Fund general-manager Kobus van Zyl said the spill had been cleared up.

"The clear-up operation retrieved 66,5 tons of oil from the water. This equates to roughly 500 barrels or approximately 80 000 litres of oil."

In view of the tiny amount of oil discovered on the beaches, very little oil was not recovered from the water, Mr Van Zyl said.

West Coast National Park warden Otto von Kaschke said he had been told about the spill "about 6 or 6.30pm" on Friday — about four hours after it happened.

"We would have had a lot of time to take precautions — to get the boats into the water and to go across to help or whatever — but half a day went past."

National Parks Board acting chief executive Herman Botha said that in spite of ideal weather conditions at the weekend — calm seas and very light winds — the incoming tide had swept the oil rapidly towards Langebaan.

"In the light of the planned Saldanha steel mill and oil storage facilities, one wonders what the environmental consequence would be in the case of a larger oil spill."

Sasol's petrochemical business surges

(183) Stan 13/9/95

■ BY ANDY DUFFY

Sasol's attributable income rose 24% to R1,86-billion for the year to June, as surging petrochemicals business offset lacklustre bottom lines across its other divisions

The group was also planning to spend R3-billion in a five-year programme to expand its petrochemicals division,

reducing the group's dependence on mainstay synthetic fuels

But Sasol said tariff protection - which cost the taxpayer nearly R1-billion last year - should continue beyond the turn of the decade Paul Kruger, the group managing director and deputy chairman, said current proposals for a five-year phase-out were "harsh"

Turnover rose 21% to R11,9-billion, while operating profit moved to R2,8-billion from R2,5-billion last year

Sasol took a R118,7-million abnormal charge to cover obsolete plant, though this was offset by interest income at R143,1-million

A lower effective tax rate left net income at R1,9-billion from a previ-

ous R1,5-billion

Share earnings rose 22,3 percent to 323,1c, while the dividend was 13,3 percent higher at 102c

A scrip alternative was offered to the second-half cash payout

Kruger said earnings in the current year should improve, despite the expected fall in tariff levels and poorer prices

NEWS

Oil spill bigger than estimated

CF 13/9/95

(133)

SIXTY SIX thousand litres of oil, not 5,000 litres as first claimed, has leaked out of the fuel tank of the Haveran fishing motor launch, the *Saldanha Bay* vessel.

The revised figure is still not accurate but Portnet marine manager Mr Martin Butler says, although the amount is probably more, we are sure it will not be over 60,000 litres.

It was only when the anti-pollution vessels were emptied yesterday afternoon that a more accurate picture emerged.

At this stage it is difficult to say how long it will take to clean up the spill, Mr

Butler said last night.

Mr Otto von Falsch, warden of the West Coast National Park, said the spill is a pretty serious problem.

The Haveran fishing sailed yesterday.

The oil, some 60,000 litres at Saldanha Bay, should be cleaned up if necessary to avoid damage to the environment. Mineral and Energy Affairs Minister Mr Pik Botha said yesterday. But we are faced with the need for economic development and jobs on the one hand and preserving the environment on the other hand. — Sapa Staff Reporter

SOUTH Africans are loose in the way they use statistics and factual information. It is a dangerous habit.

For example, in 1988 on behalf of the Urban Foundation, we estimated that 7-million people lived in informal circumstances. This was a very rough ballpark figure. Yet, to this day, that figure is still quoted by most politicians, officials and the media as the country's squatter population. No one has thought to question whether the population might have grown in the past seven years!

Another example is the ever-changing figure for the population of Soweto. No one knows for sure, and this seems to give anyone who cares licence to invent whatever number suits their purpose.

In 1989 the Urban Foundation provided the country's most comprehensive assessment of national demographic and income trends available at that time. The key message of this work was twofold: the failure of apartheid in urban and rural SA and the importance of focusing on the country's growing cities as the centres of national economic growth and development.

The Centre for Development and Enterprise (CDE) has just completed a major new study of the country's demographic and income trends, based on a second and updated edition of the foundation's earlier demographic and income distribution models. The 1995 study is the only integrated and comprehensive analysis of recent population and income trends.

This means that if you say the population of Cape Town is growing by about 10 000 people a month, for this claim to have credibility you need also to explain where these people are coming from (eg the Ciskei) and more importantly demonstrate that studies there show a diminution of that rural population. Statistics that neglect this are unreliable.

Policy is being produced in a statistical vacuum

ANN BERNSTEIN

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not to ignore the anomalies of our racial legacy. Botshabelo, about 50km outside Bloemfontein, is one example of this. It is not part of the Bloemfontein urban area and has been excluded from their local government structures. It would be misleading to call it a town as it is an apartheid creation where people were dumped in the middle of the veldt. There is no real economic base and virtually no community facilities. Initially it was officially classified "non-urban", the 1991 census now regards it as urban. Neither classification would seem to reflect its status accurately. Similar difficulties exist in other areas. What about the densely settled parts of what used to be KwaNdebele from which many residents commute to work in different parts of Gauteng?

One thing is certain: many people, and probably the majority classified as rural, have no connection at all with agricultural production. We need to know about these densely settled "apartheid-created" communities. The next census needs to use a classification which will make their situation more visible. Above all we need to ensure that "apartheid's hidden urbanites" are not ignored in the policies and programmes of the government.

All our figures come with an important warning attached. There are large and important areas of ignorance and uncertainty concerning SA demographics. There are no reliable statistics (and do not believe anyone who claims there are) concerning the scale of illegal immigration, and the pattern and rate of internal migration. In addition, the base of all our models is the 1991 census. Although this census was better in some respects than earlier surveys, insufficient resources were

large towns Population growth rates between 1981 and 1991 for this category were almost twice that of the metropolitan areas. This is an area of opportunity for the country. This finding also dispels the notion that "everyone is coming to the PWV (Gauteng) region".

With respect to income data, CDE finds that between 1985 and 1995 average per capita income rose for all population groups except whites, who suffered a small decline. This translates into a gradual and widely spread improvement in black living standards despite the drop in real per capita income for the country as a whole. The proportion of households in poverty dropped between 1985 and 1990 but rose slightly between 1990 and 1995 because of very poor performance between 1989 and 1993. It is clear the economic growth is the key ingredient (necessary but not sufficient) in tackling national poverty.

The pattern of poverty is much the same today as it was in 1983 — 94% of all poor households were black and 64% lived in small towns or remote rural areas. However, this does not mean urban poverty should be ignored. There is substantial, potentially explosive, urban poverty.

On the basis of its work, CDE would make the following recommendations to the government. First, it should recognise and publicly acknowledge the problem of SA's inadequate demographic and income statistics. Second, it should formulate a strategy to redress this situation where no one knows for sure the scale and nature of the challenges we face. Third, when in doubt about development needs, do not rely on existing macro-demographic and official statistics, but conduct new studies.

Fourth, revise the system of designing and undertaking censuses in SA. This should not be done by central government alone. Partnerships are required with other levels of government, with the private sector and with communities. Finally, establish a computer based information system accessible to all citizens and tiers of government.

National statistics should not be influenced by political ideology (their interpretation might be but that is a different matter) and this means that the independence and analytic rigour of the national information and data collection system has to be assured.

Bernstein is executive director of the CDE.

A new SA geography is emerging in terms of which urban and rural areas can be thought about in more rational terms. The CDE work classifies the population into those who live in metropolitan areas (places of more than 500 000 people of which there are eight in the country), cities/large towns (50 000-500 000 people in 45 places), small towns (1 000-50 000 citizens in 278 different towns), and rural areas.

Although it is useful to impose this rational classification on SA's apartheid landscape, it is important

devoted to capturing new and complex dynamics of an expanded population. However, to reject the census altogether is to plunge the country and decision makers into the realm of pure speculation and with all the faults the census data is better than nothing. At minimum, the CDE models will need to be tested as new data becomes available.

The analysis shows that population projections for the country as a whole are lower than those made before 1992. Earlier estimates for 2010 were 59.7-million. Our new estimate is 53.4-million. One of the reasons for the lower projection is that black fertility has dropped — more rapidly than was expected — an equivalent decline in fertility in a

shorter period than it took whites. The notion that black people have more permanent "cultural" predisposition towards large families is patently wrong.

In line with this will be 5-million fewer people in the metropolitan areas by 2000 than previously forecast. Nonetheless the greatest share of the country's population increase is still expected to occur in the metropolitan areas, and the study forecasts there will be 7-million people in metropolitan areas in 15 years time. This will have enormous consequences for how we plan, and govern our cities.

The new study shows that previous work seriously underestimated the population growth and poten-

Sasol's petrochemical business surges

CT(BR)13/9/95 (183)

By ANDY DUFFY

STAFF WRITER

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The group was also planning to spend R3 billion in a five-year programme to expand its petrochemicals division, reducing the

group's dependence on manstay synthetic fuels

But Sasol said tariff protection — which cost the taxpayer nearly R1 billion last year — should continue beyond the turn of the decade. Paul Kruger, the group managing director and deputy chairman, said current proposals for a five-year phase-out were "harsh"

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profit moved to R2,8 billion from R2,5 billion last year

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A lower effective tax rate left net income at R1,9 billion from a previous R1,5 billion

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Kruger said earnings in the current year should improve, despite the expected fall in tariff levels and poorer prices

"We expect this year that the performance can be further improved," he said

Higher production and prices lifted the petrochemical's operating earnings 102 percent to R876,8 million, representing 31,3 percent of the group total

Export sales jumped to R1,45 billion from a previous R680 million, lifting total group exports from R770 million to R1,7 billion

The recently listed Polifin and the Schumann-Sasol joint venture both made strong contributions

There had been some softening in prices, but the division would continue lifting earnings, powered by the R3 billion expenditure plans. Lower tariff protection restrained the synfuels division's 2 percent growth in operating earnings to R1,2 billion

Kruger said profit levels should be maintained, though the tariff protection was expected to be phased down next year

The mining division suffered a 14 percent slip in operating earnings to R311,8 million, hit by increased expenditure, but it would bear fruit next year

Kruger refused to detail progress on the talks with an unnamed black business group announced last month



THE RIGHT MIX Paul Kruger yesterday after the group posted a 24 percent rise in attributable income

PHOTO JOHN WOODROOF

Activities: Makes and supplies shopfittings, point-of-sale units, signage and corporate identity items, especially for the jewellery trade, hires out exhibition equipment

Control: M Judin 39,3%, F V Haymann 36%, other directors 39%

Chairman and MD: F V Haymann

Capital structure: 13m ords Market capitalisation R2,6m

Share market: Price 20c 12-month high, 45c, low 20c Trading volume last quarter, 300 shares

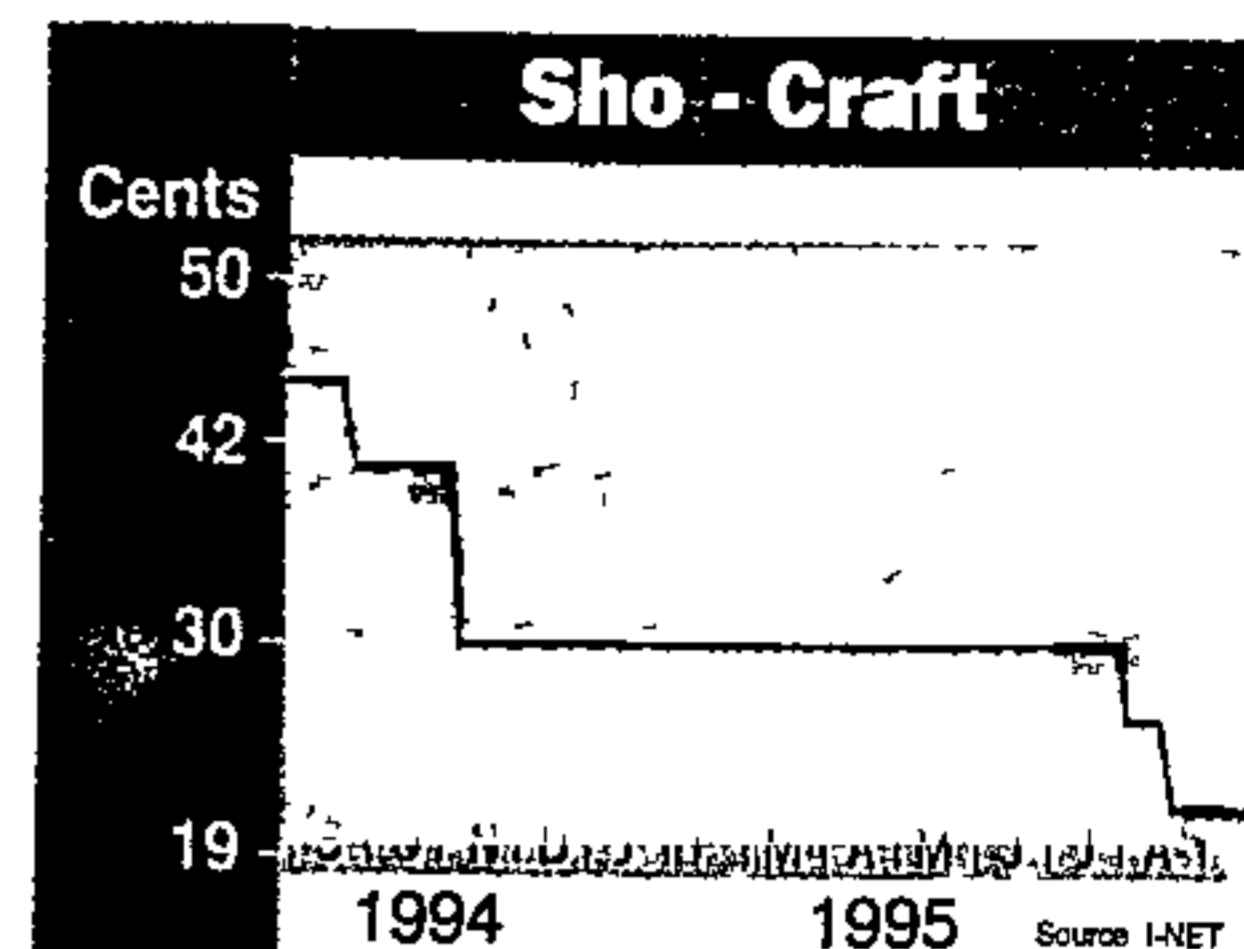
Year to February 28	'92	'93	'94	'95
ST debt (Rm)	—	0,1	0,7	1,0
LT debt (Rm)	0,2	0,2	2,7	2,8
Debt equity ratio	nil	0,07	0,77	0,90
Shareholders' interest	0,45	0,30	0,50	0,46
Int & leasing cover	23,0	43,4	2,5	0,7
Return on cap (%)	13,1	4,6	13,4	4,6
Turnover (Rm)	6,7	7,7	9,3	9,1
Pre-int profit (Rm)	1,0	0,6	0,9	0,4
Pre-int margin (%)	15,4	7,9	10,0	3,8
Earnings (c)	6,9	4,4	4,5	(1,2)
Dividends (c)	1,0	1,0	1,0	nil
Tangible NAV (c)	27,1	30,5	34,1	32,9

Earnings were further eroded by rising interest payments on borrowings.

In the post-election economic climate, companies catering for trade exhibitions — the jewellery box manufacturing divisions in the former Bophuthatswana are being phased out — seem likely to prosper Haymann says the effects of election turbulence hit Sho-Craft hard Exhibitions were cancelled and trade stagnated Unrest in the former homeland prompted the closure of a "disappointing" box factory and the plant's relocation to Gauteng, costing R200 000

Haymann believes exhibition management will be a growth area He cites a show for retail convenience stores which was held successfully earlier this year, 160 companies exhibited

Haymann says the exhibition division



will contribute to a lucrative year Unaudited results for the six months to end-August show record sales at 85% of last year's full-year figure The first half is usually quiet Order books are full and Haymann confidently forecasts R 1m taxed profit on R13m sales for financial 1996 He hopes to pay 3c a share in dividends No dividend was paid last year

Trading profits should improve this year But interest-bearing debt is not expected to fall much, so interest payments will continue to curb the bottom line Haymann says the share price, which has fallen from 45c last year to 20c, is "a joke" The market is obviously not convinced, and until the balance sheet has strengthened perhaps caution would be wise

Michelle Joubert

SHO-CRAFT

Showing more promise

(187)
FM 22/9/95

Last year's results, acknowledges chairman Frank Haymann, are Sho-Craft's worst yet For the first time since listing in 1987, the group declared a net loss (R156 000)

Though sales dropped only marginally, a two-thirds decline in the margin saw the operating profit cut in half Haymann says margins were squeezed by rising costs and tough competition, which forced Sho-Craft to undercharge to maintain its market share

Stricter shoe import control policy urged

Yuri Thumbran

BD 26/9/95

(~~34~~) (187)

ILLEGAL imports and dumped products had put a brake on SA footwear production with jobs declining by 1% last year to 21 300 and the number of factories slumping to 116 from 126, the latest Footwear Manufacturer Federation statistics show.

Federation president Robert Feinblum said latest trends were disconcerting, especially in the light of government's failure to impose restrictions on cheap imports and to act on dumping.

The industry last showed

growth in employment in 1989 when 27 500 people were employed, but this had slowed as factories closed in the face of cheaper imports flooding the market

Feinblum dismissed claims by the tanning industry that most imports were at the lower end of the market. Their value suggested otherwise, he said, while the volume of imports from Zimbabwe, Indonesia, Italy, Singapore and mainland China was increasing.

Feinblum said there was lack of proper customs control and stronger measures to curb illegal imports and dumped products

Sasol outlines aim to be a 'fully fledged oil company'

(183) BD 20/9/95

Hilary Joffe

SASOL is at pains these days to stress that the fuel and chemicals giant is not primarily an apartheid legacy; that the costly Sasol 1 and Sasol 3 projects of the '80s were in response to the oil crisis, and not to sanctions

Sanitising its image may help with investor relations here and abroad. But Sasol has R17bn in assets, more than 16 000 shareholders, 27 900 employees and is a very different creature from what it was in the '80s. The issue is not the legacy of its history but what it plans to do with its future.

MD Paul Kruger is explicit about what the group, which reported results for financial 1995 last week, will look like by the 2000. Sasol Oil will be a fully fledged oil company, either alone or in conjunction with another company, he says. Sasol Chemicals will contribute half the group's profit, with the other half coming from energy. The group will be well established as a coal exporter and its synthetic fuels division will be producing much more cost effectively than it does now

There are a few hurdles to be jumped between now and then. Sasol Oil's future depends on some resolution of the various battles the group is fighting with the rest of the oil industry. Its dispute with Total is due to be heard by international arbitrators early next year. Total is demanding the right to exercise its option to buy out Sasol's 64% interest in the Natref crude oil refinery, of which Total holds the other 36%. As a result of the case, merger talks between Sasol Oil and Engen have been "discontinued" (Kruger is careful not to say "shelved").

Sasol Oil wants to enter retail and wholesale fuel markets in its own right. There are various options for its entry into the market, including its own service station network and/or a joint venture. The options are not mutually exclusive, says Kruger. "But we have a contract with the oil companies and we won't walk away from that. Whatever we decide will have to be agreed with them," says Kruger.

Relations tend to acrimony rather than agreement at present, with the oil companies represented in the SA Petroleum Industry Association (Sapia — in which Sasol was refused membership) having walked out of Nedlac's Liquid Fuels Industry Task Force over the Arthur Andersen report



KRUGER

on Sasol's synfuels. Kruger admits relations are strained and talks on Sasol Oil's future has been delayed. "I would like to resume negotiations as soon as the rest of the industry sees fit."

In the year to end-June, 60% of Sasol Oil's production from Natref was sold to the other oil companies, with a further 35% marketed directly in SA (including via the "blue pumps"). The other 5% was exported or sold to Zenex. Kruger says sales were covered by Sasol's agreement with the oil companies, in terms of which they buy a certain volume from Natref, which has to find markets outside SA for the rest.

Sasol Oil's operating profit declined by 24% to R389,5m in the year to June, with its contribution to the group total down from 20% to 14%. Analysts were surprised by the extent of the decline, with one speculating it reflected antagonism from the other oil companies. Kruger says the only reason was the international deterioration — of 30% — in refining margins.

Sasol Chemical Industries benefited from investments in new businesses and strong international markets to increase operating profit by 102% to R876,8m, raising its contribution to 31% (17%) of group operating profit. Kruger believes the figure will reach the 50% objective before the year 2000. Chemicals will be the major impetus to the group's growth in the next five years, with other divisions merely growing in line with their markets. The advantage of a portfolio evenly balanced between chemicals and energy, he notes, is they tend to be counter-cyclical. Low oil prices tend to go with world economic growth, hence rising chemical prices — and vice versa.

Chemicals were the major contributor to the 126% increase in the group's exports — to

R1,7bn (about 12% of turnover) for the year. Exports are running at above R2bn a year.

Kruger says the group decided in the late 1980s to build globally competitive plants. Investment in chemical plants could not depend on SA's small market. The group's strength is in providing the feedstocks from its synfuels operations. The question is how much value it can add to these.

At present 87% of its synfuel is ending up as fuel, against 13% recovered as value-added chemicals. The ratio could be 50/50, and capex in the chemical operations is designed to reach this.

The group's capex has averaged R1,5bn a year over the past five years. Another R3bn is on the cards for the next three to five years.

Getting into the coal export market is also a priority. During the year Sasol bought Shell's 5% share in the Richards Bay Coal Terminal, so acquiring a 3-million-ton export quota.

Exports are expected to begin by end-1997, with the tonnage coming from new developments at existing mines.

It will have to; the group is venturing into exports when its coal production is not meeting local needs. Sasol Synfuels' increased requirements caught the miners off guard, says Kruger. Coal production fell 2-million tons short in the year to June. The 1,6-million tons which had to be bought in cut margins, as did investment in rebuilding and refurbishing equipment to enable mining to "catch up". Hence the 14% decline in mining's operating profit.

Synfuels' contribution declined from 48% to 44%, with this division increasing its operating profit by 2% — with the R1-billion subsidy. Kruger admits the synfuels business is profitable even with no subsidy at present oil prices. He accepts that the subsidy will have to be phased out, but describes the Arthur Andersen recommendation of four years as "severe".

Sasol has asked government for an eight-year period, to allow time for restructuring and technology upgrading. "We have to reduce operating costs to make up what we lose on tariff protection," Kruger says, perhaps unintentionally highlighting the inefficiencies which protec-

tion made possible

The restructuring plan relies on new technology. The work of the 16 reactors running at Secunda could be done with six of the new SAS (Sasol Advanced Synthol) reactors, the first of which was commissioned in July.

The subsidy issue is wending its way through Nedlac and Kruger expects an indication of government's plans before the end of this year. He is confident these will not be the "worst case" scenario of immediate abolition.

The group's earnings were up 22% for the year to June, on operating profit which was up 11%. Bottom-line profits have grown by a compound annual 20% over five years, with cash resources growing by 22%.

Price is attached to medical folklore

BD 21/9/95

(183) (83)

LOCAL and multinational pharmaceutical companies are scrambling for access to medical knowledge that SA's traditional healers have gathered over the centuries.

In the process they are whipping up an ethical debate over who should benefit from the country's healing folklore.

Until recently, the work of sangomas and nyangas (the two main types of healers found in SA) was regarded by most practitioners of Western medicine as mumbo-jumbo.

Yet in the past few months at least four pharmaceutical companies have visited the offices of the Traditional Doctors' Association in Johannesburg to enlist help in finding plants that could be used to make new medicines.

"Traditional healers in this country have used various plants, about 3 000 different species, for the cure or remedy of various ailments," says Saliem Fakir, who heads a natural resource management project at the Land and Agricultural Policy Centre.

"With new developments in chemical analysis, this can generate millions for pharmaceutical companies."

In May researchers from Shaman Pharmaceuticals, a California-based company, arrived in SA and made contact with traditional healers' associations, botanists, anthropologists and research departments at universities.

About 200 big pharmaceutical companies are in the race to develop new drugs from natural resources.

At least 122 prescription drugs — including the muscle relaxant curare, malaria-treating quinine and vinblastine, derived from Madagascar's almost extinct rosy periwinkle to treat lymphoma, are based on substances found in plants and other wild species.

Most of these were developed in the 1960s when international drug development from plants ground to a halt because it was difficult to analyse thousands of species for their chemical and pharmacological properties.

But DNA technology has now made it possible to screen the therapeutic effects of plants quite rapidly.

As a result there has been a new

generation of drugs. Shaman has developed a drug called SP-303 that was derived from an as yet secret plant found in South America.

A drug called Taxol is manufactured from the Pacific yew tree and has recently been approved in the US for treating cancer.

But scientists have analysed only 1% of the world's 250 000 known plant species, and mass screening of all these is virtually impossible. Hence the value of indigenous healers.

"The efficiency of screening plants for medicinal purposes increases by more than 400% through the use of knowledge in the possession of sangomas and other healers," says Fakir.

"The current value of medicinal products derived through leads given by traditional doctors is valued worldwide at about \$43bn."

Many companies involved in what has become known as "bioprospecting" for plants and pharmacological knowledge have begun to develop ethical guidelines designed to ensure that host countries and their healers benefit from royalties, patents and technologies developed.

But there have been cases of abuse. Madagascar's rosy periwinkle is now being artificially cultivated in Texas, where the company Eli Lilly has never paid a cent to Madagascar.

"Academic institutions and commercial companies must negotiate equitable contracts with traditional healers before using their skills."

Galvanised by the apparent proliferation of genetic research into the pharmaceutical use of SA's plant life, Fakir's organisation has set up a project that will draft regulations and a statutory framework to ensure ethical use of the country's biological riches.

Meanwhile, some of the 200 traditional healers' organisations in SA are beginning to debate and educate their members about the ethical issues involved in bioprospecting.

The Traditional Doctors' Association has engaged lawyers to work on contracts and patents for members approached by big firms for help — Sapa.

Lion Match exporting move 'wildly' successful

Nicola Jenvey (183) (22/9/95) RD 22/9/95

DURBAN — Industrial holding company Lion Match would continue concentrating on exports to South America and Africa, having experienced "substantial" growth in export markets over the past few years, MD Terry Turner said.

Turner said that although growth in the company's export sector had come off "a very low base", the decision in 1992 to move more aggressively into exports was paying dividends.

"The domestic match market — still Lion Match's major domain despite moves into the shaving and home and garden markets — is mature in world terms and future growth will be modest rather than incremental. Moving into exporting was the logical solution," he said.

During 1993 the company undertook its first foray into the South American market, a move which had proved "successful beyond our wildest dreams". Turner said there was a possibility the company would establish a manufacturing plant in South America within the next few years.

The Durban factory had a surplus capacity of about 20%, which would have to be accommodated before major investments were made in new plants.

Lion Match had R200,7m in liquid resources at the year ended March — currently being held in short-term preference shares — but no decision on how to invest the money had been made, he said.

"We are still exploring all the options and only time will tell which one will prove the best for shareholders," he said.

Although Lion Match could pay out a special dividend to shareholders, this would be "very expensive" with the inclusion of secondary tax on companies. It is due to publish interim results in November.

COMPANIES

FORIM (183)
FM 22/9/95
Funding plan stymied

Activities: Makes and distributes pharmaceutical products Also owns properties

Control: Directors 27% (Forman families 85%)

Chairman: H R Levin MD M Gelbart

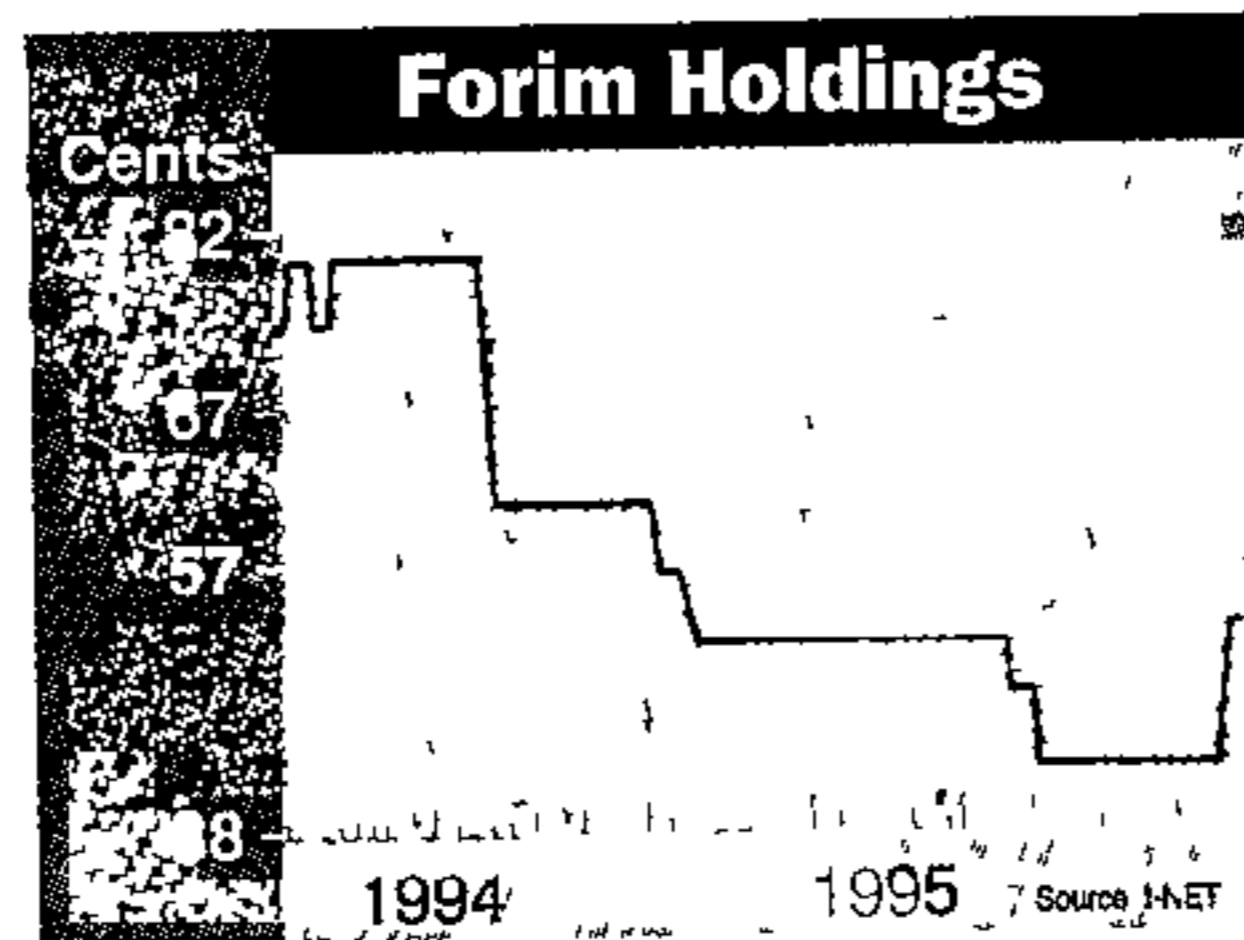
Capital structure: 49,3m ords Market capitalisation R22,2m

Share market: Price 45c Yields 2,2% on dividend, 9,8% on earnings, p e ratio, 10,2, cover, 4,4 12-month high, 80c, low, 40c Trading volume last quarter, 554 shares

Year to February 28	'92	'93	'94	'95
ST debt (Rm)	1,0	0,9	5,3	10,5
LT debt (Rm)	1,6	2,2	1,5	4,6
Debt equity ratio	0,16	0,24	0,23	0,55
Shareholders' interest	0,51	0,66	0,58	0,48
Int & leasing cover	9,1	4,3	2,8	2,7
Return on cap (%)	8,0	9,6	8,5	7,3
Turnover (Rm)	21,8	37,4	42,5	48,4
Pre-int profit (Rm)	2,4	3,6	3,7	4,2
Pre-int margin (%)	11,1	9,7	8,2	8,8
Earnings (c)	3,3	5,0	4,7	4,4
Dividends (c)	2,0	2,4	2,0	1,0
Tangible NAV (c)	42	46	46,4	49,0

When the AGM was held last month, shareholders turned down a special resolution which would have enabled the board to double the authorised share capital This would have been followed by a rights issue to reduce debt and fund acquisitions

Borrowings have more than doubled in the past year, boosted by relocation costs and rapid expansion in the pharmaceutical division Other methods of easing the debt burden will have to be found



MD Meyer Gelbart expected the resolution to be passed "Now growth through future acquisitions could be strangled — the matter is receiving urgent attention"

Forim's direction has shifted since its listing in the property sector in 1990 Gelbart says the company will apply this year to change its listing to the pharmaceutical and medical sector A buyer is being sought for the commercial and industrial properties, all in Johannesburg's CBD and with 95% occupancy

Management's expansion strategy will continue this year Gelbart says part of the plan is to act as local representative for international companies Forim has acquired

Geo Schwulst, which has a number of generic registrations, and the southern African agency for Scholl Joint venture company Research Ethicals was formed after year-end to market products for the group and the international companies it represents

An equity issue may have helped to improve the thin liquidity in the share, only 554 shares traded in the last three months Meanwhile, though the 10,2 p e ratio is much lower than the pharmaceutical sector average, the state of the balance sheet and the lack of clarity about capacity to fund growth make the counter unattractive

Michelle Joubert

Sasol divisions plan merger with Omnia

(183) ET(MR)22/9/95

BY ANDY DUFFY

STAFF WRITER

Sasol is discussing merging its fertiliser and explosives business with Omnia Holdings, in a bid to rationalise and sharpen its global edge

The plans, released yesterday in a cautionary to shareholders, centre on Sasol shunting its fertiliser division into Omhold to create a R900 million-a-year business

Sasol would also take a stake in Omhold, though it was not clear whether the 33 percent holding of its main shareholder, Anglo-Alpha, would slip

The groups' explosives operations would be combined in a new jointly owned R550 million-a-year company.

Omnia also announced yesterday a net loss of R6,1 million for the six months to June, compared with a loss of R3,9 million for the same period a year ago. The dividend was passed

A spokesman for Omhold said the deal would be funded mainly through shares, though there would also be a cash element

The full details had still to be hammered out and Sasol's ultimate control over the operations had not been finalised

The proposals would also have to go through the unions and the Competition Board, and were unlikely to be finalised before next year

Sasol declined to comment further, but Omhold said it had been prompted into the talks by global market conditions. Similar logic recently led AECI into reshaping its explosives division with ICI

Omhold's explosives business — Bulk Mining Explosives — cut a technology deal earlier this year, with Dyno Nobel. It also holds 30 percent of a British fertiliser business. The performance of Sasol's operations relied heavily on overseas markets in the past financial year

Saldanha spill controls 'inadequate'

CT 25/9/95

(183)

MELANIE GOSLING

THE National Parks Board has slammed the anti-pollution measures at Saldanha Bay and said the recent oil spill showed that current measures to protect the environment were "totally inadequate"

The board has also hit out at Department of Trade and Industry Minister Mr Trevor Manuel for claiming that environmental organisations had with-

drawn their objections to the proposed R4,7bn steel plant at Saldanha

In a submission to the Steyn Board of inquiry into the Saldanha steel plant, Parks Board chief Dr Robbie Robinson said at the weekend the threat which industrial activity posed to Saldanha Bay and Langebaan Lagoon had been "dramatically highlighted" by the spill, and was a timely reminder that Saldanha Bay was a high-risk port not suited to

oil transfers

Reacting to Mr Manuel's claims, he said "Our national parks are an important fulcrum around which our international and national tourism industry revolves and as such, the Department of Trade and Industry should be far more sympathetic towards the endeavours of the National Parks Board"

The Steyn inquiry will hand in its report on October 6

Call for new drug pricing structure

Beatrix Payne

(183) BD 26/9/95
THE Representative Association of Medical Schemes (Rams) and pharmaceutical manufacturers' representatives plan to ask manufacturers to publish drug prices excluding distribution and dispensing costs from next month.

The move would create a more transparent pricing system with the prices published in several places, including the Blue Book.

According to a discussion document, Rams, the Pharmaceutical Manufacturers Association (PMA) and the National Association of Pharmaceutical Manufacturers (NAPM) hope to see the voluntary scrapping of bonusing by the end of March. But if this was not achieved the three bodies would attempt to have the publication of a single exit price made law.

Under the current system manufacturers used a system of discriminatory pricing where the price from manufacturers to buyers varied for reasons other than volumes

Continued on Page 2

Drug prices

Continued from Page 1

(183)
BD 26/9/95
According to the document, manufacturers would be encouraged to publish exit prices from October 1. Stock bonusing activities would be stopped and sampling regulated from end-March. The PMA and the NAPM would encourage their members to publish exit prices netted down by January

This would allow time for impact studies to assist in negotiations between Rams and service providers before the netted down system would be formally introduced at the end of March.

Rams said it would encourage its members to determine and pay medical scheme benefits on the basis of the published exit prices from January. Distribution and dispensing fees would be negotiated on a mark-up basis.

The NAPM committee was to meet tonight to discuss members' feedback

Marmoran scoops R20m foreign contract

BY JOHN SPIRA

GAUTENG BUSINESS EDITOR

Marmoran, South Africa's oldest specialist coating manufacturer, has, along with its Malaysian agent, Budibina, clinched a R20 million contract for work on the new International Islamic University in Gombak, Malaysia

Gavin Communs, the managing director of Marmoran, says the contract involves more than 2 million square metres of work

Marmoran has concluded an agency contract with Budibina subsidiary, Budibina Marketing and Trading, in Malaysia

Interestingly, the university contract involves a return-to-roots adventure for the dozen or so skilled Cape Town Malay employees whom Marmoran has sent to Malaysia to assist with the initial stages of the project.

"Unfortunately, however," says Communs, "there's a severe limit on the number of South Africans that are able to find employment, even

of a temporary nature, in Malaysia. The problem lies in the cost and productivity of our labour"

He draws the following comparison: "A South African team of five people, with each artisan earning R100 a day, does 40m² to 50m² daily when applying our top-of-the-range coating. In China they do 140m² a day and the team members earn R9 each. That's how poor our productivity is

"It's why our agents are using Chinese labour on the Islamic University contract. South African labour is simply too expensive relative to its productivity"

Communs hopes that the Malaysian delegation which recently visited South Africa will bring home to South Africans that its economic model is worthy of emulation

"The Malaysian economy is growing at an annual rate of 8,4 percent. Inflation is low, interest rates are low and there is full employment. And bear in mind that the Malaysian economy has only transformed in the past 15 years"

CT(BR) 26/9/95 (183)

Marmoran is operating in 27 countries, having started exporting to Malawi and Mauritius in 1985

"It was difficult to operate under sanctions," recalls Communs

"It was a difficulty exacerbated by the fact that our coatings aren't easy to sell, since we don't just market a product but its application as well. The entire process has to be demonstrated before a deal can be concluded, a complete parcel has to be put together between our agents and ourselves"

Exports

Marmoran's export drive began slowly but when the top architects and builders in Africa saw the product range, it took off

"One of the first jobs we did was President Banda's palace in Malawi. We're very strong in Africa, the Indian Ocean Islands and the Far East, where we have joint venture partners in several countries. From Hong Kong we've gone into China"

Last year, says Communs, 37,5 percent of Marmoran's turnover comprised exports. This year it will be more than 50 percent. Its export activities are reaching a level at which it will soon have to establish joint-venture manufacturing facilities abroad

Prospective exporters would no doubt like to learn how to break into export markets

How has Marmoran done it so successfully?

"Networking," says Communs. "Establishing the right applicators/agents is crucial. It isn't easy — which is why we prefer to work with people for six months to a year prior to appointing them as a licence holder"

"In the past year we've increased our sales by more than 50 percent in Gauteng, and the northern and eastern Transvaal — a phenomenal achievement, bearing in mind that the building industry has not met forecasts which predicted good growth this year, mainly on the back of RDP-related projects"

Spunchem on-stream (183)

By SHIRLEY JONES

CT (M) 26/9/95

The Spunchem Africa plant, a R35 million capital intensive joint venture between Sentrachem and KwaZulu-based Strand Holdings, comes on-stream today

The first sod was turned less than a year ago on the project, the first of its kind in Africa

Spunchem has the capacity to replace between R45 million and R50 million worth of spunbond imported into South Africa each year for use by the medical, automotive, agricultural, furniture, carpet and mining industries

Spunbond is used in the manufacture of disposable diapers and feminine hygiene products

Spunchem has absorbed the spunbond distribution and sales operation of Durban Alloys and Chemicals. As one of about six importers bringing in spunbond from Italy, Australia, the Far East, America and Europe, it controlled 33 percent of the local market

Ian Porteous, the managing director of Durban Alloys, who has been appointed Spunchem's chief executive, says the South African plant not only has capacity to supply the entire South African market, but is perfectly positioned as a net exporter of a value added product



ON THE ROLL Chief executive Ian Porteous and operations manager, Bruce Culling, with Spunchem's first product

PHOTO PETER DUFFY

Sasol searches for Australian partner

(183) CT (BR) 26/9/95

BY LACHLAN COLQUHOUN

INDEPENDENT FOREIGN SERVICE

Sydney — Sasol is hunting for an Australian joint venture partner to buy into the A\$1-billion (about R2,8 billion) worth of Australian coal assets up for sale, said Chris Cloete, the coal division's managing director.

In Australia for a coal producers conference, Cloete confirmed that the company was actively searching for Australian partners and that it was enthusiastic about expanding its coal assets out of South Africa

Cloete also confirmed that Sasol had gone a long way towards securing a joint venture in China, which would see Sasol and a major Chinese company combine in a petro-chemical venture from refined coal

But Cloete declined to elaborate further, and Sasol could not be reached for comment yesterday

The Sasol chief is buoyed by estimates of global demand for coal over the coming decade. Driven in the short term by a boost in world demand as a result of the latest Japanese stimulus package, he expects the world price to rise from

its current US\$36 a ton to about US\$42 a ton within three years

"And if the price were to rise to US\$50 a ton then it would become economic to recover many of our other known reserves," Cloete said

Global demand is expected to rise 6 percent a year until the end of the century, an increase that will need an extra 70 million tons of production. Australia is expected to produce at least 50 percent of the new supply required

Floated

With regard to the company's Australian ambitions, Cloete said he envisaged a situation where Sasol and its Australian partner would together buy into one of the Australian coal mines up for grabs. The Australian producer could be given access to the South African coal market with production from one of its other mines

The joint venture company could even be floated off on its own on both Australian and South African exchanges

"The project has to be right — we are not into expansion just for the sake of it. The projects must be

value added ones for Sasol," said Cloete

The Queensland coal assets of Australian mining company Mount Isa Mines would be the most attractive proposition for Sasol

Mount Isa Mines — beset by industrial problems and hit by a series of poor profit results from its core copper business — is looking to sell three mines at Newlands, Collinsville and Abbott's Point in Queensland

The Newlands mine alone plunged more than A\$700 million into debt last year, and an international syndicate of financiers has begun negotiations to sell the mine

Analysts say the problems with the mines stem more from Mount Isa Mine's short-term corporate difficulties than the health of coal mining in Australia, and say that despite the losses the mines have a healthy longer-term future. Cloete said Sasol was also interested in examining the potential of investing in Indonesia, a country with substantial coal reserves

Indonesia, Australia and South Africa would become the competitive coal producing nations of the future, Cloete said

Sasol finalising R914m Chinese coal project

(183) CT (AR) 28/9/95

By ANDY DUFFY

STAFF WRITER

Sasol is finalising plans for a R914 million coal gasification project in China, following a deal struck earlier this year.

The company said yesterday that its subsidiary Sastech was hammering out the final details of the proposals with the Australian arm of German engineering group Lurgi.

Sastech was drafted into the

plans earlier this year as the design and technical consultant on the plant Lurgi will build it.

The company and Lurgi have put together a gasification plan worth about R160 million, with the balance of the expenditure on downstream construction.

A spokesman for Sasol said the final agreement had still to be signed, and that no firm timetable was in place for the plant's construction.

But the plant would form the main focus of Sasol's involvement in China, alongside chemicals marketing through its Sasol chemicals Pacific operation.

The plant, to be built in the Henan province, will convert low grade coal into town gas, using the technology process currently used at Sasolburg and Secunda.

The plans Sasol unveiled earlier this year to build another

plant in China with international partners appear to have been shelved.

Export business jumped 126 percent to R1,7 billion in the year to June. Sasol has recently created a new company to house its offshore oil production interests.

The company made clear last weekend that its mining division was looking for partners to go after Australian coal mining assets.

Black-empowerment oil firm hands advertising to Israelis

(183) CT(BR) 28/9/95

By LLEWELLYN JONES

STAFF WRITER

Afric Oil, the empowerment vehicle launched by Caltex and Wiseman Nkuhlu, has given its lucrative advertising contract to Israeli agency Gitam International after deciding South African players were not up to the job, local agencies said yesterday.

Jan Bader, the managing director of BBC Nash, condemned the decision, saying Afric Oil should have given the contract to a local agency.

"Afric Oil was formed as part of an empowerment programme and one would have thought on that basis the advertising and promotion contract would have been awarded

on a similar basis," he said.

Joe Makobe, the spokesman for Afric Oil, defended the decision yesterday, saying only Gitam had grasped the mindset of Afric Oil.

Bader claimed that local agencies were not poor performers, and even if they were "a South African agency should have been co-opted on to this project so that they could have learned something."

Four of the five agencies short-listed for the contract were South African, but all were dumped in favour of Gitam International. Gitam does the promoting for Ithuba, the scratchcard company.

Local companies understood to have been on the short list include the new black-owned agency

Herdbuys, and BBC Nash.

The contract — thought to be worth at least R1,5 million — will focus on propelling Afric Oil into the public eye, as the company embarks on a R15 million nationwide rebranding programme.

Herdbuys was circumspect about the decision. "It's their prerogative to appoint whoever they please," said spokesman Peter Vundla.

Afric Oil was launched last month in a joint venture between Caltex, Nkuhlu's Worldwide African Investment Holdings and Transnet subsidiary Bonganu Motor Holdings.

The company opened its first petrol station last night.

Petrol price rises 2c/l on Wednesday

JOHANNESBURG — The petrol price will rise two cents a litre on Wednesday, the Central Energy Fund said today.

The price of diesel would be reduced by one cent a litre.

The adjustment would raise the price of petrol to R1,90 a litre in Gauteng and R1,80 a litre at the coast. The diesel price would fall to R1,67 a litre in Gauteng.

The petrol price rise included a one cent a litre increase in the retail margin, completing the 2,5 cents rise in the margin approved by cabinet before the August price adjustment — Reuter

(183) (274) ARG 29/9/95

SASOL

(183) FM 29/9/95

Cheap on the fundamentals

Activities: Makes and markets synthetic fuels, chemicals, mines and markets coal, refines oil, and markets fuels

Control: IDC 11,5%, Old Mutual 11%, Sanlam 11%

Chairman: J A Stegmann MD P Kruger

Capital structure: 586m ords Market capitalisation R18,2bn

Share market: Price R31 Yields 3,3% on dividend, 10,5% on earnings, p e ratio, 9,5, cover, 3,1 12-month high, R36,65, low, R28,16 Trading volume last quarter, 16,1m shares

Year to June 25	'92	'93	'94	'95
ST debt (Rm)	459	578	536	717
LT debt (Rm)	1 822	1 492	1 326	1 151
Debt equity ratio	0,13	0,16	0,06	n/a
Shareholders' interest	0,53	0,56	0,57	0,60
Int & leasing cover	7,0	9,7	15,8	n/a
Return on cap (%)	14,3	15,3	17,5	16,3
Turnover (Rbn)	7,85	8,25	9,84	11,95
Pre-int profit (Rbn)	1,79	2,05	2,61	2,78
Pre-int margin (%)	22,7	24,8	26,5	23,2
Earnings (c)	202	230	264	323
Dividends (c)	78	86	90	102
Tangible NAV (c)	980	1 124	1 296	1 540

The share presents investors with a contradiction. On one side are the generally soundly-performing operations, backed by a large and well-timed capex programme, benefits of which are now being seen in the mounting contribution from downstream chemicals. On the other side is the uncertainty which pervades future deregulation of SA's fuel industry and the tariff protection enjoyed by Sasol.

On fundamentals, Sasol looks like one of the most undervalued shares in the chemicals & oils sector. A p e ratio of 9,5 belies the strong and growing influence of petrochemicals production, and possibly coal mining activities as well.

The balance sheet continues to strengthen (see table), debt being reduced over the past three years despite a capex programme totalling R7bn over the past five years.

Penultimate payment of R400m to the Central Energy Fund for full ownership of Sasol Three (the final payment of R550m will be made this year) leaves the balance sheet ungeared, with net cash resources of about R270m.

Financial 1994's interest charge of R165m has swung to income of R54m, a trend which should remain intact this year

despite the planned expenditure of about R3bn over the next five years, mainly on further development and investments in chemical activities.

Deputy chairman and MD Paul Kruger expects chemicals to make a larger contribution to operating profit this year than the historically dominant synthetic fuel production. In the 1995 year chemicals contributed 31%, or R877m, to operating profit compared to synfuels' 44%.

Underpinning the balance sheet is Sasol's strong cash flow, allowing the group to retain R2,83bn from operating activities (1994 R2,05bn) — though future cash flow could be affected by government moves on tariff protection.

There are other attractions to the share. With most of Sasol's product pricing in foreign currencies, mainly US dollars, the share has a rand hedge component of about 80%. Last year Sasol earned R1,74bn in exports alone. Exports currently account for about R2bn of turnover.

In the shorter term Sasol will continue benefiting from the upturn in world commodity prices, a useful portion of this coming from jointly controlled and separately listed Polfin.

Longer-term, increased profits should be sourced from the value unlocked in downstream chemical production through Sasol's capex programme. Coal exports, due to start towards the end of 1997, could become a useful source of future income.

More unbundling not dissimilar to Polfin is possible in the future. Kruger notes Sasol is under pressure from the oil industry in SA to at least partially unbundle its refining activities if and when it fully enters the retail market. As with Polfin, such a move is expected to help place a more realistic value on Sasol's separate activities.

But the debate on the future structure of the petroleum industry remains in limbo. Kruger says Sasol supports draft policy calling for reduced State involvement in the industry, but contends the process should be phased and orderly.

Negotiations between Sasol and the SA oil industry on marketing fuels refined at Natref through Sasol's own service station



Sasol's Kruger expects more from chemicals

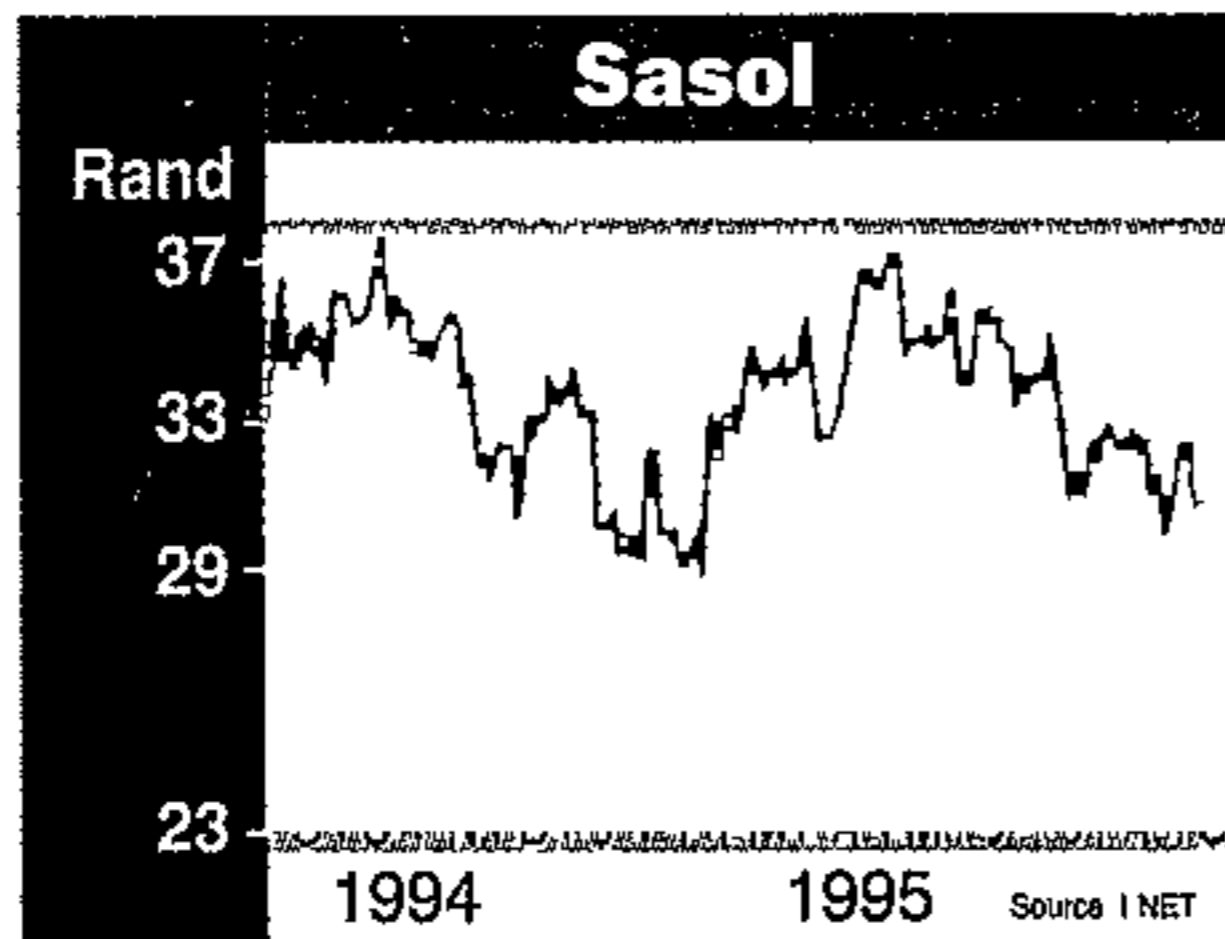
network broke down. Alternatives, including co-operation with one or more of the oil companies, are being investigated.

Uncertainty around these issues and the removal of tariff protection, worth about R1bn to Sasol last year, continue to depress the share. Kruger says Sasol accepts tariff protection will be phased out — but he wants more time than the five years recommended in the Arthur Andersen report to allow the synfuel business to be competitive without protection.

These issues will probably continue to affect the share in the coming year, though a longer-term view suggests they will be resolved without permanent effect on Sasol.

There is uncertainty on industry deregulation, and perhaps risk around the future of the synfuel business. But prospects for the other activities make Sasol cheap at R31.

Shaun Harris



GFSA GOLD PRODUCERS

No comfort offered

FM 29/9/95

Of all SA's gold mines, those in the Gold Fields (GFSA) stable have long been considered the best, the richest, the safest investments. These accolades were deserved.

Almost nowhere does the industry's present malaise show through more clearly than in the latest annual reports issued by the house for its principal operations. In every case, sharp declines in production and working profit are noted, in one — Doornfontein — the mine is now subsumed into the operations of neighbour Bly-

PREMPHARM (183)

Growth at the core

PM 29/9/95

Activities: Manufactures and distributes pharmaceutical, vision care, consumer and animal health products

Control: Premier Group 57,6%

Chairman: D D B Band MD P S Nortier

Capital structure: 108,6m ords Market capitalisation R2,12bn

Share market: Price 1 950c Yields 2,6% on dividend, 5,9% on earnings, p e ratio, 17,0, cover, 2,2 12-month high, 2 300c, low, 1 800c Trading volume last quarter, 833 347 shares

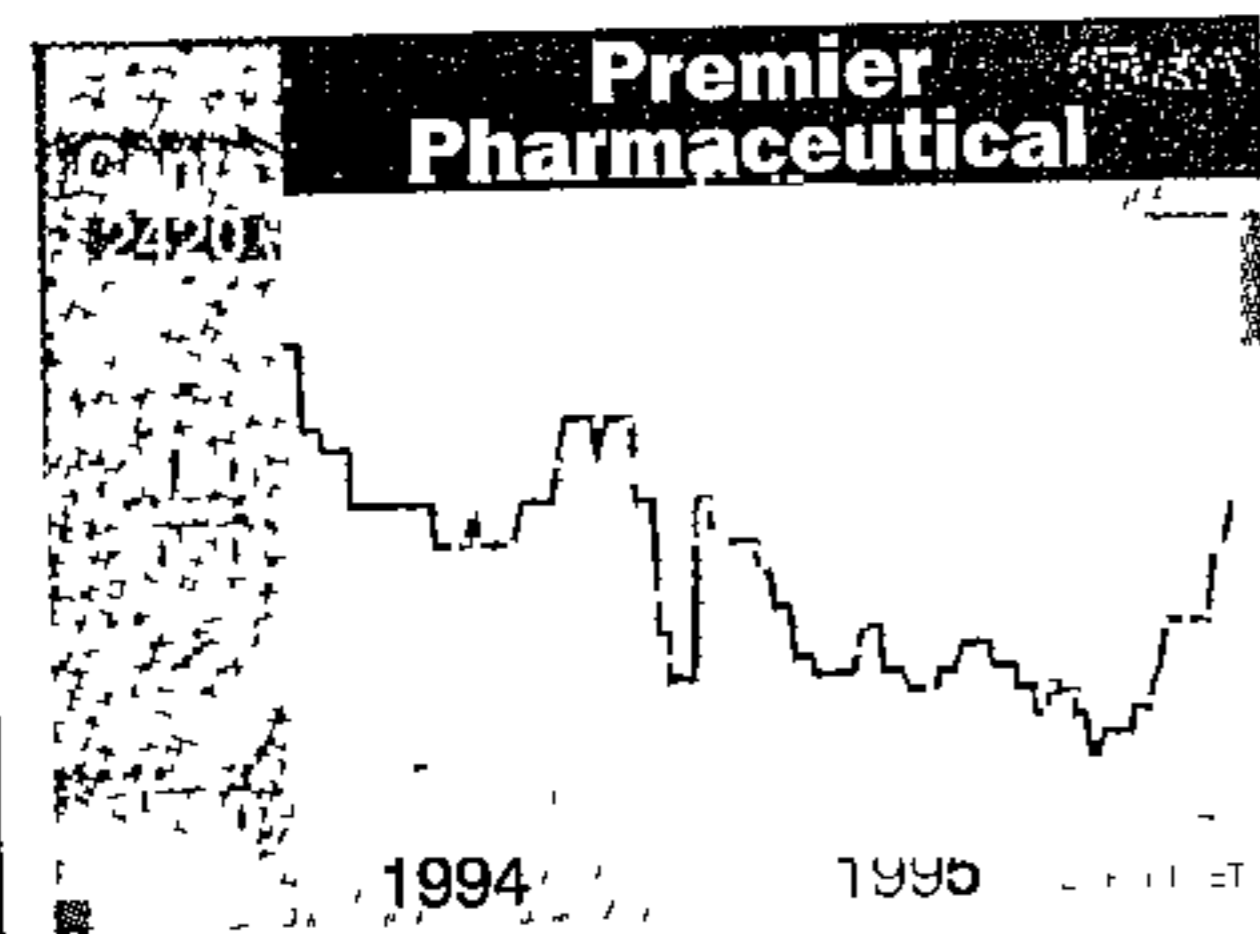
Year to April 30	'92	'93	'94	'95
ST debt (Rm)	—	—	6,0	6,7
LT debt (Rm)	17,5	19,1	18,6	11,0
Debt equity ratio	—	—	(0,21)	(0,22)
Shareholders' interest	0,50	0,61	0,53	0,70
Int & leasing cover	22	n/a	n/a	n/a
Return on cap (%)	40,2	28,4	35,6	35,6
Turnover (Rm)	477	456	506	640
Pre-int profit (Rm)	115	118	139	168
Pre-int margin (%)	24,2	25,8	27,5	26,3
Earnings (c)	59,3	77,8	93,2	114,6
Dividends (c)	25	34	43	51
Tangible NAV (c)	149	241	194	303

The forecast that the current year should see further real growth in turnover and earnings seems to have put some life back into the Premier Pharmaceuticals share price. The prediction was made at the time of the preliminary results in June and again in the annual report.

Though the 1995 year was another period of sound progress for the group, with EPS rising 23% on a 27% improvement in sales, it was less so for shareholders, who saw the price retreat from a mid-1994 high of 2 400c to a low of 1 800c in July this year. It has since rallied to 1 950c for a net loss of 19%.

1995 was a period of consolidation for Prempharm after the acquisitions of the previous year, which saw a number of additions to the pharmaceuticals division. This time the only major structural change was the merging of the animal health division with Sentrachem's veterinary products division, with Prempharm retaining a 50% interest in the merged entity which is managed by Sentrachem.

This effectively reduced the operating divisions to three pharmaceuticals, consumer



COMPANIES

products and vision care, with investments (cash and animal health) forming a fourth profit pillar.

Of the three, by far the largest turnover gains came from pharmaceuticals which benefited from a full year's contribution from 1994's acquisitions and increased sales by 46% — more than double the gains elsewhere. The proportion of group turnover attributable to pharmaceuticals rose to a dominant 57%.

It is clear from the annual report that integration of the new group members has proceeded smoothly, though full benefits of restructuring and management information systems upgrades have still to be felt.

The report also implies results could have been better had it not been for capacity constraints which resulted in stockouts on occasions as demand exceeded group ability to supply product. CEO Phil Nortier is optimistic turnover growth will not be similarly inhibited this year.

New chairman Doug Band sees the group as favourably positioned in the context of the changes occurring within the broader health-care industry because of its emphasis on over-the-counter and generic medicines.

Management seems reasonably relaxed about the draft report on national health-care policy, which envisages a strong private sector functioning in parallel to the public sector, whose main goal will be to provide accessible and affordable primary health-care services. Coupled with the cost-cutting measures which the medical aid sector has had to implement, Band sees the trend towards self-medication accelerating to the benefit of the group.

A strong balance sheet has been a characteristic of Prempharm since it became fully part of Premier Group in 1993. Net cash resources, drawn down in 1994 owing to acquisitions, have recovered to R72,6m, equating to 22% of tangible net worth. Management attributes this to a strong cash

flow, but equally important was the use of capitalisation issues instead of cash dividends.

The cash saving on the 1995 interim totalled R26,2m before the concomitant saving in STC. This accounted for almost 90% of the R29,2m by which net cash resources increased, indicating that from an operational standpoint the group was essentially cash-neutral. Since year-end, the final dividend will have similarly boosted cash.

Given its available resources, the group's optimism about the future seems well-founded, suggesting the tentative recovery in the share price over the past two months will probably continue.

Brian Thompson

HOECHST

RM 1/9/95 (183)
According to plan

Hoechst's maiden interim report, coming so shortly after the listing, holds no apparent disappointments. Its main function is to reveal details of the group financial perfor-

mance. Turnover for the six months to June 1995 grew 26,7% to R853,3m, and attributable income grew 37,5% to R21,4m.

The polymer and chemicals divisions are riding the upswing of their commodity cycle, which should see strong cash flow in the next year, enough to retire some debt. Healthcare performed well in parts (animal health and self-medication) and is expected to pick up further in the usually stronger second quarter.

As was predicted, MD Reinhard Traub is off again to Germany, having seen the group through its debut on the JSE, and the current MD of Hoechst Colombiana will take over. At 540c, the share is 10c off its high.

Margaret Anne Halse

SA DRUGGISTS

Just the tonic!

FM 1/9/95
South African Druggists (SAD) has formalised its diversification from pharmaceuticals into direct health care with the creation of Healthcare Management Services (HMS).

The new company has assumed SAD's controlling interests in pharmacy benefits business Mediscor, and a 75% stake in Medicross — a health-care organisation providing one-stop GP-related services, including pathology, radiology, physiotherapy



Beningfield move in line with international trends

and dental services — which includes parent company Malbak's 50%

SAD CE Peter Beningfield explains "The move is in line with international trends. Internationally, the pharmaceutical industry's leaders are realising that it is no longer enough for a pharmaceutical company to stick to its traditional role as a provider of pills, potions and powders."

He adds that the diversification has also been prompted by demand from medical aids and patients. Mediscor already processes 4m scripts a year with a gross value of R600m while Medicross's 20 centres treat around 56 000 patients a month.

The move could arguably also provide SAD with a captive and compliant market for its drug sales — a consideration that led the Competition Board to investigate Malbak's acquisition of Mediscor several months ago. The investigation is still under way, but the issues include

□ Mediscor, by accrediting only certain pharmacies as agents, could be guilty of restrictive business practices since pharmacies were allegedly being refused membership even where they were willing to offer more than the average 25% discounts on scripts that Mediscor requires from participating outlets,

□ SAD's links to Mediscor could ultimately enable SAD to exert undue influence on consumers to use SAD products by allowing them immediate settlement and discounts only through SAD-agent pharmacies who could also be subject to greater pressure to stock and use mainly SAD drugs. Mediscor also holds exclusive agencies to manage the drug claims of some of the country's largest medical schemes.

Beningfield, however, says Mediscor's limited selection of participating pharmacies is no different to the practice of franchisees, also selected according to the discretionary criteria of the franchisor. He points out that, to allay the board's fears, in smaller towns Mediscor has allowed everyone to participate as their agents. "Anti-competitive behaviour has, however, resulted since pharmacies in these towns have now banded together and are refusing to give discounts greater than 15%."

On the drug-pushing charge, Beningfield stresses that by law agent pharmacies cannot be compelled to stock more than 50% of their principal's drugs or products.

Beningfield says HMS plans to explore fully the concept of managed health care that would include comprehensive care at fixed pre-paid membership rates based on capitation (fee per head) that would see HMS share risk — something existing medical administrators don't do. Once again he stresses that doctors would be under no duress to prescribe SAD drugs only. "The only non-negotiable they would have to observe is a commitment to dispensing the most cost-effective treatment."

Storage and marketing windfall

SA, Iran sign oil deal

(183) Star 1/9/95

Cape Town - South Africa and Iran yesterday signed the first part of an oil storage and marketing deal that could earn SA about R50-million a year. Mineral and Energy Affairs spokesman Ronald Darroll said in Cape Town the deal allowing Iran to store about 15-million barrels of oil at Saldanha Bay had been signed in Tehran.

He said implementation of the deal would depend, however, on positive environmental impact reports by Portnet and the Council for Scientific and

Industrial Research as well as subsequent agreement on a marketing joint venture.

"The storage deal was signed by (Central Energy Fund general manager) Kobus van Zyl today, but the marketing part of the deal has still to be negotiated," he said.

Darroll said the two parts of the deal were interdependent and would be implemented together.

"No crude oil will flow to Saldanha Bay until the CEF board has satisfied itself as to the overall deal. That includes the

environmental safety as top priority and the financial aspect of it," he said.

The second part of the deal, which involves a profit-sharing agreement on marketing of the Iranian oil into Africa and South America, could be signed by the end of September.

Darroll said the marketing joint venture could, on the basis of past experience, be expected to earn SA at least R50-million a year.

The oil deal has been criticised by the United States which accuses Iran of sponsoring terrorism

and of trying to build weapons of mass destruction.

Washington tried to isolate Tehran internationally by imposing a trade ban in June but its calls to other nations to shun the Islamic republic have fallen on deaf ears.

South Africa might eventually reduce its strategic oil stocks from about four months' supply to about two months', but this would depend on details of the deal with Iran and an assessment of the country's fuel security, Darroll said - Reuter

took urgent steps to... for the four major economies in 1977... the virus did not have...

FUEL ACCORD



AMICABLE SOLUTION Moses Molele of Nabfra is happy that the recently established Afric Oil will operate to the black dealers' benefit and not to its detriment as was originally feared

PHOTO: JOHN WOODROOF

Afric Oil gains 'unconditional' support of black retailers

BY THABO LESHILO

STAFF WRITER

Caltex Black Dealers and the National Black Fuel Retailers Association (Nabfra) have withdrawn their opposition to the establishment of Afric Oil, South Africa's first black majority-owned oil company, and given it their unconditional support.

A joint statement released by

Afric Oil and the two bodies representing black filling station owners said the parties had reached "an amicable resolution on fundamental issues pertaining to Afric Oil and the Caltex venture"

The two groups had opposed the launch of Afric Oil, a joint venture between Wiseman Nkuhlu's Worldwide African Investment Holdings, Caltex, Bongani Motors and Firstcorp for allegedly enrich-

ing Nkuhlu's group at the expense of the dealers.

The short statement, signed by Moses Molele, Nabfra's national co-ordinator and Phuthuma Nhleko, the chairman of Afric Oil, said the parties had agreed "to explore a structure and process through which Caltex Black Dealers shall receive meaningful participation in Afric Oil"

Molele told Business Report

et (M) 4/9/96 (183)
"We have an undertaking that the dealers' plight would be revisited and decided to fully support Afric Oil as a real black empowerment effort"

A Caltex spokesman said the company had encouraged the dealers to participate in the joint venture by either investing directly in the new oil company or allowing their filling stations to be converted to Afric Oil.

(MR) 4/9/95
**Premier Pharmaceuticals
to launch new products**

(183) CT (MR) 4/9/95
BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

Net cash resources of more than R70 million will help Premier Pharmaceuticals to expand and invest further in over-the-counter and generic products and in consumer health care, chairman Doug Band said in the group's latest annual report.

A number of new products will be launched on the back of upgraded production facilities and the group will emphasise stringent control of operating costs and efficient management of working capital.

"These factors should enable the achievement of real growth in group turnover and earnings in the forthcoming year," Band said.

Uncertainty

Phil Nortier, the chief executive officer, said the pharmaceutical division was well placed to make a major contribution to South Africa's healthcare markets, although there were areas of uncertainty, especially changes to government health care policies.

A new prescription generics division is planned in the current year, anticipating legislation to allow generic substitution.

In the consumer division, a number of new products and house brands will be launched this year and next year.

Investment in marketing support for new products will be maintained at relatively high levels to ensure long-term growth.

Although the full effect of the Reconstruction and Development Programme has not yet filtered through to the marketplace, Premier Pharmaceuticals' consumer division is geared to capitalise on any increased market activity.

Exports

The visioncare division plans to launch a range of new dispensing products in the new year and will exploit opportunities to grow exports to neighbouring countries. It plans to relocate various prescription lens production facilities and sales and marketing offices in the coming year.

The animal health division, which saw trading conditions deteriorate drastically during the last part of the past financial year, is expected to show some recovery in the coming summer season, especially if there are good rains. This division also plans to expand exports to the rest of Africa.

The operations division, which mainly makes and distributes pharmaceutical and consumer products, will be implementing bar-coding of products, electronic payments, parcel tracking and inventory management, automated warehousing and quick-response systems.

FUEL ACCORD



AMICABLE SOLUTION Moses Moloele of Nabfra is happy that the recently established Afric Oil will operate to the black dealers' benefit and not to its detriment as was originally feared

PHOTO: JOHN WOODROOF

Afric Oil gains 'unconditional' support of black retailers

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ET (M) 4/9/96 (183)

Afric Oil gains 'unconditional' support from SA's black retailers

(183) 4/9/95

■ BY THABO LSHILO

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Amicable solution ... Moses Molele of Nabfra is pleased the fledgling Afric Oil will operate to the benefit of black dealers.

PICTURE JOHN WOODROOF

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plight would be revisited and decided to fully support Afric Oil as a real black empowerment effort".

A Caltex spokesman said they had encouraged dealers to participate in the joint venture through investment or changing filling station names to reflect Afric Oil.

Thor workers
down tools

(121) (183) (182)

MARITZBURG. Thor Chemicals workers, suspicious of a company doctor who was involved in the mercury poisoning trial last year, downed tools yesterday demanding his replacement

The labour action came after four workers refused to submit to a medical check-up by Dr Bruce Alexander

CT 5/9/95

Big rise in SA condom sales as Aids awareness grows

BY JOHN SPIRA

GUTENG BUSINESS EDITOR

Condom sales in South Africa have soared, rising from R7 million in 1987 to an estimated R25 million

Greater awareness of Aids is one of the main factors contributing to condoms' rise to the big league

Another reason, claims Ian Stern, the managing director of

Mates Healthcare SA (a member of the IS Distributors group which distributes Ansell condoms), is the imaginative and "more open" marketing campaign which his group has brought to the industry

Stern maintains that Ansell condoms (among them Rough Rider, Bareback and Midnight Desire) have captured 60 percent of the market from a zero base eight years ago



SAFETY FIRST Ian Stern, the managing director of Mates Healthcare SA, displays his wares

(183) (BR) 7/9/95
"We took condoms to outlets which had never carried them before — food chains, petrol station shops and airport stores. We achieved marketing and merchandising coups via the country's first gondola ends for condoms in supermarkets and condom displays in pharmacies. And we spotted the potential of using 24-hour shops and kiosks in various locations."

Stern's group also distributes several other health products, including vitamins and baby-care products

While still at university, Stern began importing Ansell condoms from America on a small scale. After qualifying as a lawyer, he joined a law firm but resigned after less than a year to become involved full-time in the condom business. He is adamant that the market has considerable additional potential.

Huge

"South Africa doesn't take the Aids crisis seriously enough," he said. "The government doesn't appreciate the huge down-the-line cost to society and to the economy. There simply isn't enough spent on Aids education."

For comparative purposes he cites the condom market in Australia, where, with a population one-third the size of South Africa's, condom sales are four times higher than they are here.

"Tesco Stores in Britain conducted a research exercise which showed that with the current incidence of Aids in Britain, it would lose 10 percent of its existing turnover 10 years down the line. It immediately embarked on a massive campaign aimed at promoting the sale of condoms."

"I am not in business to encourage promiscuity. I am conducting a crusade against the scourge of one of the most horrendous diseases the world has ever witnessed."

Big rise in SA condom sales as Aids awareness grows

BY JOHN SPIRA

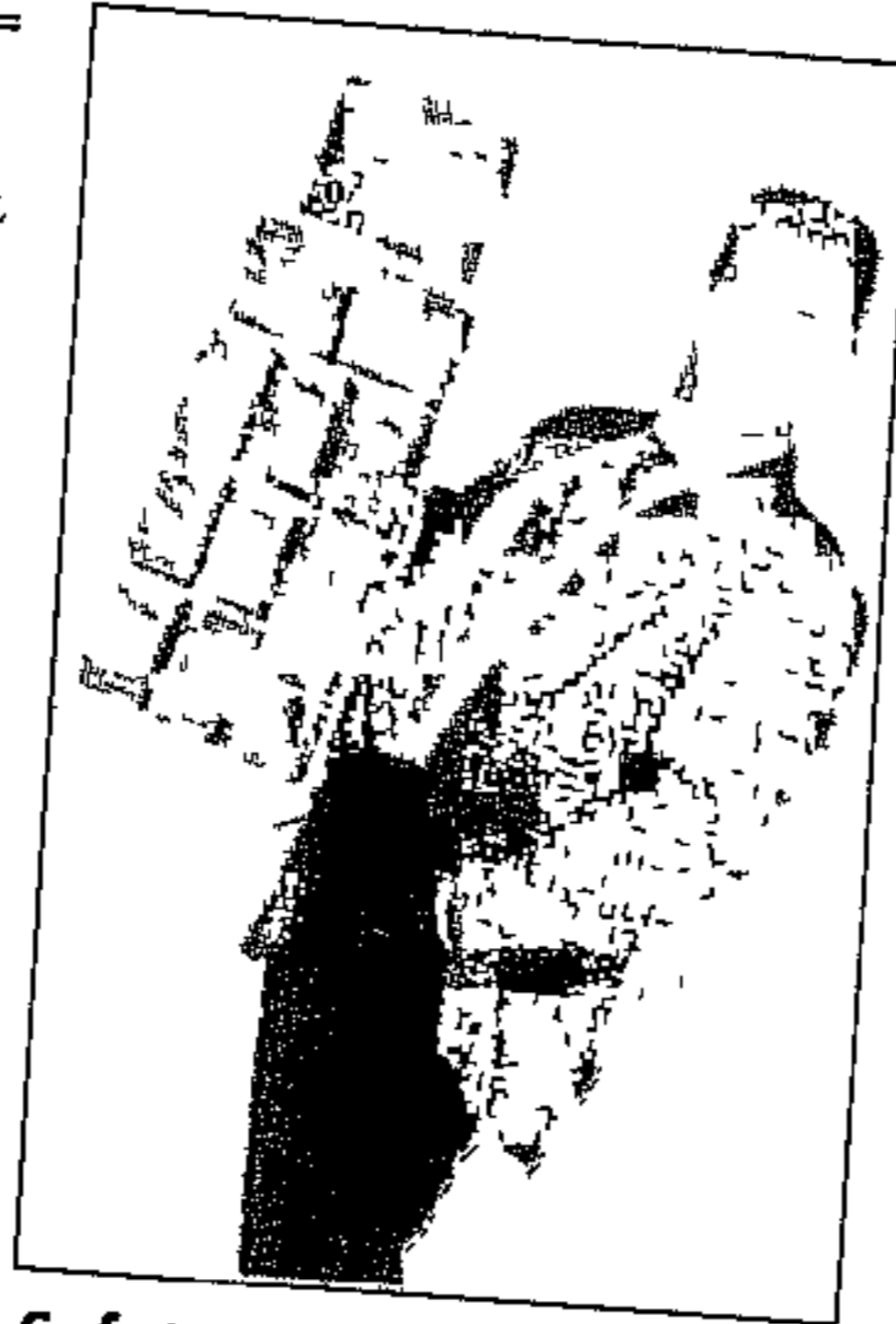
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(183) 7/9/95 SPAN
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By Isaac Moleli

THE OVERTRADING of filling stations, particularly in the black townships, has not only hit retailers' profits but also raised serious fears that the violence that ravages the taxi industry could spill over into the fuel retail business.

Caltex Black Dealers Committee says the mushrooming of these stations has already affected the owners' profit margins and resulted in a loss of jobs.

Spokesman Themba Xaba says there is a possibility that this can result in violence similar to that in the taxi industry.

"The situation where, for instance,

Fears Over petrol

Sowetan 7/9/95 (183)

Too many filling stations in the townships are cause for worry

in Vosloorus we have more than eight filling stations in one street is a great concern to us," he says.

"The cause of taxi violence is that there are too many taxis with very few people utilising them. Hence we have drivers fighting over the routes. This is possible in the fuel industry too."

Xaba says the oil companies have to stop developing filling stations wherever they see a space and consult all stakeholders in the area where they intend developing any filling station.

He also believes that the situation will be worsened by the envisaged deregulation of the petrol industry

where giant channstores like Pick n Pay will be selling petrol at a cheaper price.

In Soweto, on the Old Potchefstroom Road, there are ten filling stations within a distance of less than 20 kilometres.

The black fuel dealers fear that if the construction of new filling stations can be left without intervention, traders could vent their anger on each other.

Compounding the problem is the insecurity of the businesses and the lack of franchise status such as those given to white garage operators in town, to supplement their filling stations with other forms of business like snack shops.

Black economic empowerment deals in the fuel industry announced two weeks ago are not helping the situation either as these new companies will have to have their own filling stations as well.

For instance in the Caltex deal, which saw the birth of Afric Oil, Caltex will transfer 100 of its existing service stations in Gauteng to the new company, but Afric Oil has already

identified 50 new sites which will be converted into the new Afric Oil filling stations.

Sasol Oil, which also announced its intention to establish a black-owned fuel company, says although the company does not have its own filling stations, plans are in the pipeline to establish them.

Caltex spokesman Terry O'Donovan says his company does not believe the market is over-saturated and also that the situation in the filling stations business is not comparable to that of the taxi industry.

Strikers' blockade halts the BP tankers

WILLEM STEENKAMP (182) (183)

Staff Reporter

ARG 9/9/95

PENINSULA BP petrol stations may run dry if the company cannot evict strikers at the depot in Milnerton.

Chemical Workers' Union strikers have been at the gates of the Montague Gardens depot since early yesterday, preventing tankers from entering or leaving.

Late yesterday BP garages were low on fuel.

Company director Stephen Beeley said if the blockade continued, petrol stations would run dry.

He said workers were striking because of a dispute over wages, but negotiations were continuing.

The company had applied and succeeded in getting a court order to evict the workers. The police were called but the eviction was not wholly successful. Late yesterday BP decided to apply for a more comprehensive eviction order.

Mr Beeley was unable to supply specific details of the wage dispute.

Saldanha oil spill raises fears for storage plan

(183) (1892) ST(M) 10/9/95
FIVE thousand litres of oil have spilled into Saldanha Bay at a terminal where South Africa hopes to handle 15-million barrels of Iranian crude in a controversial R50-million annual storage deal

Most of the spill, which occurred on Friday, had been contained by booms but some slick had escaped and reached the boundaries of the West Coast National Park by early yesterday, port and parks spokesmen said.

The spill from the Hawaiian King comes just one week after the Strategic Fuel Fund announced the first steps of an environmental impact assessment which will determine if the Iranian oil pact can be activated.

This probe was advised by a judge investigating Iscor's plans for a steel mill nearby and who heard evidence that Saldanha Bay's tanker traffic could be trebled to 75 vessels a year if the oil deal came off

Some critics have sketched an ecological nightmare if a major slick were to reach the internationally-rated Langebaan Lagoon wildlife haven.

However, in this instance standard safety precautions had averted a crisis, Saldanha Bay port captain Dave Duncan said yesterday

"The ship was already surrounded by booms when the leak happened about 1.45pm on Friday, and more booms were brought in and put around those already in place," he said.

Extra personnel had been brought in to help with the clean-up and oil which had made it into open water had been

By CHARL DE VILLIERS

treated with a chemical dispersant.

The oil had spilled from the ship which was taking on Arabian light crude from the Strategic Fuel Fund's vast tank farm, Capt Duncan said.

The ship had already been fined R50 000 by the Department of Transport.

West Coast National Park chief warden Otto von Kaschke said some of the treated slick had reached his park's marine boundary at the mouth of the Langebaan Lagoon about 6km from the oil terminal early yesterday

Oil had also been reported on beaches between Langebaan and Club Mykonos

"It's not a disaster, but spills like this are always worrying," he said from the park which surrounds the Langebaan Lagoon, a destination for 70 000 migratory waders each year

The lagoon is rated as a wetland of international importance under the Ramsar convention

BUSINESS REPORT

SOUTH AFRICAN NATIONAL BAZAAR

MONDAY SEPTEMBER 11 1995 15

Doubts remain over Sasol's black-controlled oil company

By THABO LESHELO

STAFF WRITER

A question mark still hangs over Sasol's recently announced plan to establish a black-controlled oil company with an unnamed black group, and doubts that the oil company has anything tangible to show for its claim.

To date, Sasol still refuses to

name the "specific black group" with which it alleges to be holding exclusive talks to form the new company, fueling allegations that had been made hurriedly to steal the thunder from the launch of Afric Oil by Callex, Wiseman Nkuhlu's Worldwide Africa Investment Holding, Bongani Motor Holdings and FirstCorp

It was also alleged at the time that Sasol had timed its claim to pre-empt the decision by Nedlac to link continued state subsidies for Sasol to black empowerment. Sasol has denied both allegations. A spokesman repeated at the weekend that the company was bound by its undertaking to keep confidential its discussions with several black groups

"Our exclusive talks with a specific black group are still on track. The group concerned has requested that their identity and the detail of the discussions not be revealed at this stage," said the spokesman. Business Report has established that Sasol has not been able to contact Eric Molefe, who heads Power-Id, one of the groups involved in the talks, since a report that his con-

sortium had pulled out. Attempts by Business Report to interview Molefe have not born fruit. He recently failed to turn up for an appointment with this reporter without any explanation. In another development, Thebe Investment, one of the groups Sasol has been talking to, said nothing concrete came of the talks. "It was basically just talk," said Eugene

Kunters, the manager of corporate finance at Masele Merchant Bank, a Thebe subsidiary. He said Masele had been talking to other companies on behalf of Thebe, which had taken a strategic decision to seek business opportunities in the oil industry. Another group talking to Sasol is the National Black Fuel Retailers Association.

CT (BR) 11/9/95 (183)

Saldanha oil spill threatens lagoon

CT 11/9/95

(183)

(183)

(183)

MELANIE GOSLING

OIL from the estimated five-ton spill at the Saldanha Bay terminal has penetrated the sensitive southern end of Langebaan Lagoon and been deposited in patches along the shores of the West Coast National Park — raising fears that a slick in the bay cannot be contained

Environmentalists have called on Mineral and Energy Affairs Minister Mr Pik Botha to halt the proposed deal to store Iranian oil at Saldanha and have said this weekend's slick is proof of the real risk of an environmental disaster

Portnet and Strategic Fuel Fund staff were still working late yesterday to break up oil "pencils" — thin surface films — which escaped from the booms that contained most of the light crude oil around the tanker and oil quay

Clean-up costs

Port Captain Dave Duncan said estimates put the cost of the clean-up operation at R3,5-million

Tugs, rubber ducks, oil recovery craft and the Kuswag 7 aircraft are helping to mop up the spill. By late yesterday, they had recovered about 20 tons of oil-and-water mix, Capt Duncan said. It appeared as if more than five tons of oil had been spilled, he added.

"A pipe on board the Hawaiian King burst inside the ship and the oil leaked into her ballast, which was pumped into the sea," he said.

"Fortunately, the oil fence booms were already around the ship. If they had not been, we would have had a very serious situation to deal with. Even so, small amounts escaped.

"Trying to contain oil is like trying to contain quicksilver."

The warden of the West Coast National Park, Mr Otto von Kasch-



OIL TRAP: Port Captain Dave Duncan stands on the oil quay at Saldanha Bay where booms have prevented most of the five-ton spill from the Hawaiian King tanker from spreading. Small amounts have escaped and have been deposited along the shores of the West Coast National Park. Harbour staff were still mopping up the light crude oil late yesterday

PICTURE: CLIVE SMITH

ke, said yesterday. "This was a small spill, yet oil came up on beaches way beyond the point of the spill.

"It was only a thin film, but it proved what the Parks Board had been saying all along — that what happens in Saldanha Bay will have an effect on Langebaan Lagoon. People have been trying to say the bay and the lagoon are separate, which this spill has shown is clearly not true."

Dr Allan Heydorn, specialist consultant for the World Wide Fund for Nature, said the spill had made it was "quite obvious" that no matter how sophisticated the oil recovery equipment, it would be inadequate to contain an oil

spill in Saldanha

"In an ecologically sensitive area which is subjected to powerful natural processes like storms, it is only a matter of time before we have a catastrophe," he said.

Fined

Earthlife Africa spokesperson Ms Liz McDaid said yesterday. "The Iranian oil storage deal at Saldanha is just not worth the environmental risk. Technology can't undo the damage once it's done. We call on Mr Botha to halt the Iranian deal."

Portnet's port manager, Mr Danie Barnado, said the owners of the Hawaiian King would be

responsible for the cost of the clean-up. The ship has already been fined R50 000 by the Department of Transport.

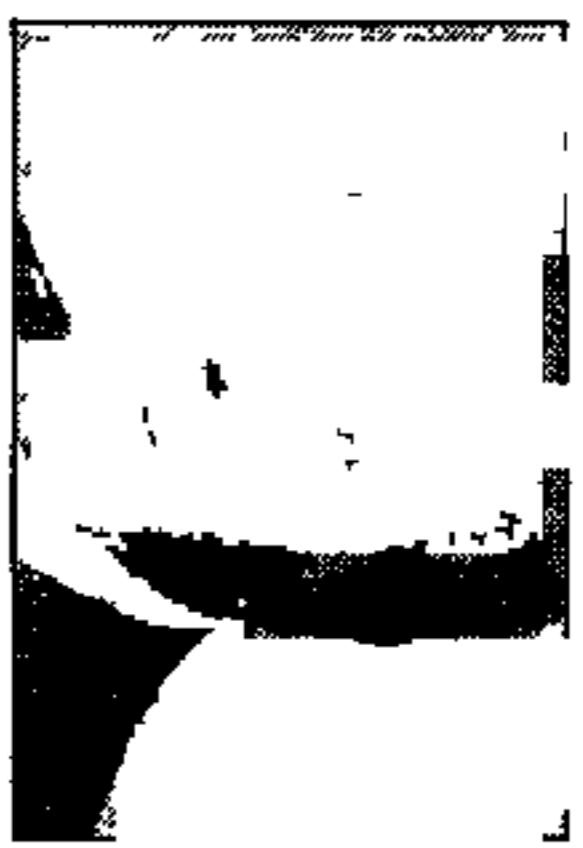
The chairman of the board of inquiry into the proposed Saldanha Steel factory, Mr Justice Jan Steyn, highlighted environmentalists' concerns about the Iranian oil last month. He called on the Minister of Environment, Dr Dawie de Villiers, not to take "any irreversible decision" about the Iranian oil deal until the environmental risk assessment on the proposal had been completed.

● The Hawaiian King rescued 900 passengers in December last year after they had abandoned the burning Achille Lauro.

BACKGROUND & ANALYSIS

THE SPIRA INTERVIEW

Plascon spreads colour worldwide



Plascon, a wholly owned Barlows subsidiary and Africa's largest paint manufacturer, has launched a series of powerful initiatives into global markets

Peter Surgey, the managing director, says Plascon recently bought a company in Britain in specialty paints

"It's our toe-hold into the British and European specialty paint markets. The company has increased its volumes by 3 percent year-on-year in a flat market because it produces a niche product."

Plascon is, of course, active in Africa, but demand is relatively low. "Annual consumption in Zambia is 12 million litres, Kenya 10 million, Mozambique four million and Nigeria 10 million. Put that together and that makes 36 million litres."

Plascon also operates in Namibia and Botswana and is discussing options in Zimbabwe. Later this month it will be investigating other opportunities in Kenya and Tanzania.

"So we are expanding in Africa, but we will do it gradually and build up in the fullness of time."

South Africa alone is a 200 million-litre market. Over and above that, Plascon is a prospective beneficiary of the RDP. The more houses that are built, the more paint Plascon will sell.

Surgey does not see the envisaged target of 300 000 houses a year

being achieved in the foreseeable future. He is nevertheless hopeful that the mass housing programme will steadily build impetus.

"While the RDP will move, I do not expect to see an avalanche of houses."

As for Plascon's involvement, "what we've found is that the parties are specifying, at worst, medium quality paint — which is good, because they realise that the quick fixes will not be successful."

He notes that a lot of the houses that are going up are face brick on the outside, paint on the inside. So only half of the paint Plascon would normally sell would go on.

Contracts

In the meantime, Plascon has picked up a couple of major contracts — one for 9 000 houses and another for 2 500.

Plascon's own contribution to the RDP is significant. This is how Surgey explains what the group is doing.

"We're getting people from the community to paint our factories, after which they get a certificate to say they have been trained by us and are certified painters. In the process, we've not only created jobs for them but have given them a skill for the future."

Plascon maintains a database on the people it has trained and when further work is required the compa-

ny calls on them. In the meantime, the painters are able to sell their services.

And the company is doing a great deal in the field of education.

"We could not always find the people that were needed, particularly as chemists. So we have set up two project schools and will be opening another two next year."

"At these schools we teach maths, science, English and life skills as subjects to matric level. The graduates can take out a Plascon bursary for further study."

"They have no obligation to study chemistry per se. They can do whatever they want to do. But we hope many will come back, so that in five to 10 years' time we will have a nucleus of young people who are well-educated."

Plascon is diversified into decorative, or retail, paints and the trade contractor market — which accounts for about half its total sales.

A third of the remainder comes from the industrial division, which includes furniture coatings, general industrial coatings and heavy duty or protective coatings.

Packaging coatings is another third and the automotive division, refinish and original equipment manufacturers, the final third.

"We're the main players in every single sector of the market with the exception of automotive original equipment manufacturers, where

we're number two.

"We are spending R20 million on upgrading our plant in Port Elizabeth over the next couple of years," says Surgey.

An exciting prospective growth area for Plascon is China, where Surgey is involved in negotiations, which, if successful, will generate huge sales volumes.

"Why China?"

"About 400 million people live in the Yangtze valley, where, hopefully, the new Plascon factory will be built. That is a lot of people, many of whom want their houses painted."

Markets

"For Plascon to take on mature markets does not make much sense. We would rather go into emerging markets, since we understand them better."

"In China, the infrastructural developments throughout the country are enormous and as masonry is required in abundance, it gives us enhanced potential."

Next month Surgey will go to China to finalise the agreement with an Indonesian company to set up a Chinese operation, which, once running to full capacity, could produce 100 000 litres a day, equivalent to revenue of R150 million a year.

Nor is the Chinese initiative the end of Plascon's foreign adventures. It also has an associate in India

ET (R) 11/91/95 (183)

where a joint venture operation is under consideration.

Surgey, 40, became the managing director two-and-a-half years ago. A year ago he restructured the company.

"We used to run the group with seven subsidiaries operating nationally. Some customers got excellent service, others less so. So we diversified nationally and appointed divisional managers."

"We thereby eliminated the them-and-us syndrome. Everyone began to work more closely together and became more focused. It has worked out very well."

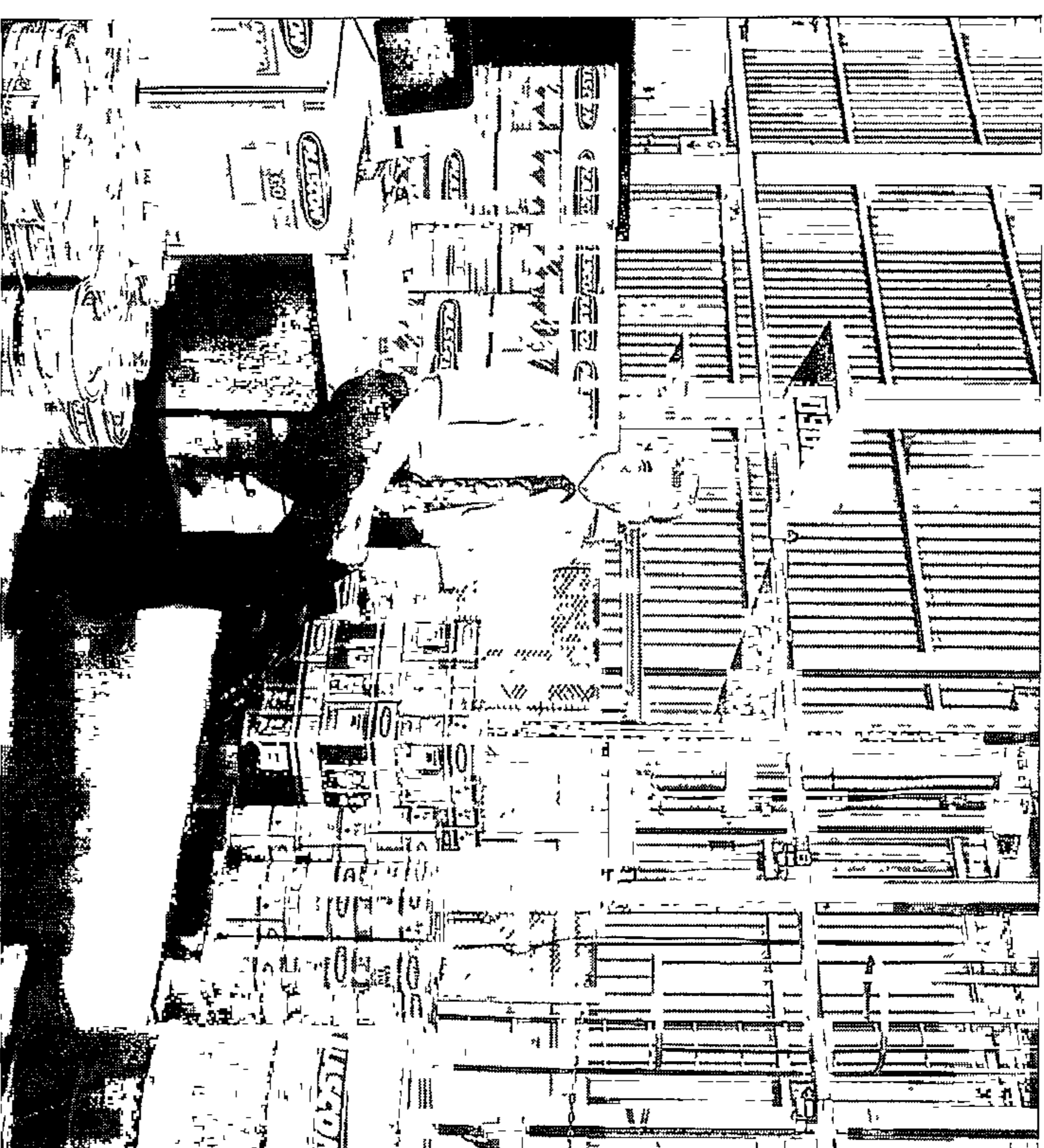
"We're lucky enough to have a loyal group of stockists. This is one of the reasons why the return Plascon makes on its assets stacks up pretty well against the rest of the world."

"Once our capex plan for the next three to four years is complete, we will have factories that will compare favourably with some of the best in the world."

Surgey, recently appointed to the main Barlows board, grew up in Zimbabwe and completed a law degree at the University of Cape Town, followed by articles in Johannesburg.

In 1983, he joined Barlows' Federated Timbers where he was involved mainly in industrial relations for three years.

He was then moved to Barlows, in the sphere of industrial relations,



VERSATILE Peter Surgey, the managing director of Plascon, is lending the group's efforts to expand into emerging markets around the world.

where he was exposed to the nitty-gritty of business life, having been involved with such companies as Middelburg Steel GEC, Reunert, Robor and other group operators.

"I was fortunate to have been given a broad overview of what was going on. Then, as now, when you were giving industrial relations advice you had to understand the business before giving the advice

and it had to fit the needs of each business.

"I had to understand different businesses very quickly. That was a valuable lesson."

Thereafter, Surgey moved into the human resources function at Barlows' building materials division, which comprised Plascon, Federated Timbers and a couple of smaller companies.

In 1990, he was offered the opportunity to run a Plascon subsidiary in Cape Town.

"I'd never run a company before. I had to make a choice. I took the plunge and I haven't any regrets."

In 1993, the managing directorship of Plascon became available. Surgey got the job, and the rest is history.

Question mark hangs over Sasol's black controlled oil company

(183) Star 11/9/95

■ BY THABO LESHILO

A question mark still hangs over Sasol's recently announced plan to establish a black-controlled oil company with an unnamed black group, amid doubts that the oil company has anything tangible to show for its claim.

To date, Sasol still refuses to name the "specific black group" with which it alleges to be holding exclusive talks to form the new company, fuelling allegations that its announcement, three weeks ago, had been made hurriedly to steal the thunder from the launch of Afric Oil by Caltex, Wiseman Nkuhlu's Worldwide Africa Investment Holding, Bongani Motor Holdings and FirstCorp

Subsidies

It was also alleged at the time that Sasol had timed its claim to pre-empt the decision by Nedlac to link continued state subsidies for Sasol to black empowerment.

Sasol has denied both allegations. A spokesman repeated at the weekend that the company was bound by its undertaking to keep confidential its discussions with several black

groups

"Our exclusive talks with a specific black group are still on track. The group concerned has requested that their identity and the detail of the discussions not be revealed at this stage," said the spokesman.

Business Report has established that Sasol has not been able to contact Eric Molefe, who heads Powerlib, one of the groups involved in the talks, since a report that his consortium had pulled out.

Attempts by Business Report to interview Molefe have not born fruit. He recently failed to turn up for an appointment with this reporter without any explanation.

In another development, Thebe Investment, one of the groups Sasol has been talking to, said nothing concrete came of the talks. "It was basically just talk," said Eugene Rutgers, the manager of corporate finance at Msele Merchant Bank, a Thebe subsidiary.

He said Msele had been talking to other companies on behalf of Thebe, which had taken a strategic decision to seek business opportunities in the oil industry.

Another group talking to Sasol is the National Black Fuel Retailers Association.

Oil spill soaks Saldanha

Star 11/9/95

(183) (183)

Cape Town - Oil from an estimated 5-ton spill at the Saldanha Bay oil terminal this weekend has penetrated into the sensitive Langebaan Lagoon and has been deposited along the shores of the West Coast National Park.

Environmentalists have raised fears that oil slicks in the bay cannot be completely contained, and have called on Mineral and Energy Affairs Minister Pik Botha to halt the proposed Iran oil storage deal at Saldanha.

They say this weekend's slick is proof that the risk of an environmental disaster is real.

Portnet and Strategic Fuel

Fund staff were still working late yesterday to break up oil which had escaped from oil booms that contained the bulk of the light crude oil around the tanker Haiwaan King and an oil quay.

Port captain Dave Duncan said initial estimates for the clean-up operation were about R3,5-million. Tugs, rubber ducks, oil-recovery craft and the Kuswag 7 aircraft have been deployed.

He said that by late yesterday, about 20 tons of oil-and-water mixture had been recovered. It appeared as if more than five tons of oil had been spilt. - Own Correspondent

30 oiled penguins found on island

JOHN YELD
Environment Reporter

ABOUT 30 lightly oiled penguins — the victims of a 5 000-litre spill from the Hawaiian King tanker at the Saldanha oil terminal — have been found at Jutten Island in the West Coast National Park

Warden Otto von Kaschke, who visited the island early today, said the birds would be left on the island for the present as the penguins there were all breeding and had chicks

Attempting to remove the oiled birds could be more detrimental to the colony, he said

"They're not heavily oiled, so we won't be removing them, but obviously we'll be monitoring the situation very closely"

Another parks board team was using an inflatable craft to check the salt marshes at the southern end of the lagoon where small quantities of oil washed up at the weekend, Mr Von Kaschke said.

There were still two "smallish" oil slicks in Saldanha Bay which Portnet craft were attempting to disperse

"They're working there, churning them to try to break them up"

The weather was overcast at Langebaan today, Mr Von Kaschke said

"But fortunately it's also very calm, and that's helping us tremendously

"We're still busy with mopping-up operations and teams are working the shoreline at Langebaan where some light deposits washed up in the night

"Basically we'll have to go through this procedure for the next couple of days, until the mopping up at the source of the oil is complete

"Because until that's done, there's always the possibility that more of the oil that was spilled will get out into the bay"

An estimated 5 000-litres — about five tons — spilled into Saldanha Bay at the oil quay on Friday when a cargo pipe in the Hawaiian King ruptured

Arabian light crude being loaded into the tanker from the Strategic Fuel Fund's



SURROUNDED: A small slick is contained by booms at the Saldanha Bay oil quay. In the background is one of the Strategic Fuel Fund's anti-pollution vessels.

Picture LEON MULLER, The Argus

ARG 11/9/95 (183)
vast oil storage facility flowed from the broken pipe into a ballast tank, and was then pumped out into the bay with ballast water

Extra booms were deployed around the tanker and anti-pollution measures applied, but some of the oil escaped into the bay and by yesterday patches had reached the salt marshes at the southern end of the Langebaan lagoon — part of the West Coast National Park and a proclaimed Ramsar Convention site for the protection of water birds

● Report, more pictures on page 3

(183) (452)

BP workers strike

ABOUT 40 employees at British Petroleum SA's Cape Town terminal went on strike on Friday demanding better wages and employment conditions, but had since resumed duties, the company said.

REPORTS Business Day Reporters,
Own Correspondent.

BO 11/9/95

Great expectations for Sasol year-end results

Mungo Soggot

A ROBUST performance from its chemical business is expected to hand Sasol a sound increase in earnings for the year to June

The results, due tomorrow, are expected to show a 20% to 30% jump in earnings, following a 25% increase at the half-year

Three analysts said high international chemical prices, expanded chemical operations and Sasol's sturdy export drive would be the main factors behind the increase. One said that as the chemical side had not kicked in that much at the interim stage, it would come through in the second half

The fact that US investment house Merrill Lynch had just put out a buy order on Sasol augured well for the results, one said

Last year Sasol reported a 15% increase in earnings to R1,5bn. Earnings a share were 264,2c and interim earnings were R854,1m. Higher synthetic fuel production volumes and favourable international chemical prices were the main reasons cited for the improvement at the halfway stage.

One analyst said the group's balance sheet would be boosted by its hefty cash flow.

Sasol Oil would probably be a sturdy contributor to earnings, particularly since refining margins had picked up towards the end of its financial year

Money received from motorists for its synthetic fuel operations would

(183) 0011/9/95
probably be less than last year's R1bn, but this decrease would be offset by strong growth in other areas.

One analyst said the synfuel business was likely to turn in another robust showing, reaping the benefits of higher production volumes and greater efficiencies

Government is due to revise Sasol's tariff protection at the end of the year. Most Sasol watchers expected government would revise it in line with the recommendations of consultants Arthur Andersen which wrote a report on the synfuel producer for Nedlac's liquid fuels task force.

The report recommended that the floor price used to calculate the protection Sasol gets be gradually dropped from the current \$21,40 a barrel to \$17 by July 1999. Sasol receives the difference between this and the price of Dubai crude

Although the report was rejected by Sasol's crude oil competitors as too favourable, the rest of the task force, which includes government, accepted it. The oil producers walked out of the task force in protest at the report

Most industry watchers expect that, despite fierce lobbying from the oil companies, government is going to have to stick relatively closely to its recommendations. It has been suggested that the final level and the phase-out period recommended could be tweaked, but analysts said they were banking on the Arthur Andersen suggestions being implemented

Fransaf building up its reserves for expansion

Beatrix Payne

(183) 0012/9/95

PLASTICS converter Fransaf yesterday reported a 24% increase in net attributable income to R2,1m for the six months to end-June despite a sharp fall in turnover. Earnings a share, based on the total number of issued shares at the end of the period, rose to 5,2c (4,2c).

Sales fell 32% to R8,5m after orders from educational departments and municipalities were postponed, the directors said.

The group did not disclose operating profit. However, net income before interest was virtually

unchanged from the previous year at R2,37m (R2,38m). Interest earned fell marginally to R174 000, which left pre-tax income at R2,54m (R2,56m).

The tax bill fell to R483 000 (R905 000), leaving retained earnings for the period at R2,1m. Retained earnings at the end of the period rose to R7,3m (R4,8m) after the inclusion of retained earnings from the beginning of the year.

No dividend was paid so as to build up cash reserves for a possible expansion or acquisition. A final dividend would be considered at the year-end.

MD Denis Guerre-Genton said

the purchasing power of the educational departments and the municipalities was likely to improve once organisational structures were finalised.

The group had no long-term liabilities and adequate cash reserves to consider expansion if it was warranted.

Adequate steps had been taken to diversify activities to maintain and possibly improve earnings if trading conditions did not improve during the second half.

The share closed unchanged at 105c on the JSE yesterday after falling to 100c in early August, its worst level this year.

Oil spill highlights danger

Call for assessment of Iranian deal after Saldanha pollution

JOHN YELD
Environment Reporter

PORTNET tugs fighting the oil pollution problem in Saldanha Bay have been withdrawn after the two remaining slicks were broken up, and officials said the threat from Friday's 5 000-litre spill appeared to be over

But, environmentalists called for a thorough review of anti-pollution measures at the Saldanha Bay oil terminal and for a full environmental impact assessment into the Strategic Fuel Fund's proposed oil contract with Iran

They paid tribute to the anti-pollution work by Portnet officials, but said the Langebaan ecosystem was too sensitive to be exploited for short-term gain

The spill happened last week when a pipe aboard the tanker Hawaiian King burst inside the ship and the oil leaked into her ballast, which was pumped into the sea

Saldanha port manager Danie Barnado said the tugs had been withdrawn about 1 30pm yesterday after the two remaining slicks had been broken up

"The plane (Kusway 7) is in the air now to see whether any oil is left," he said about 3pm yesterday

"There was some more oil on Sandy Bay at Langebaan and we probably will have to clean up there for the next day or so

"At the Hawaiian King itself, we're finishing off. It's difficult work because there are very small patches to be picked up, but we won't take up the booms or stand down until we know everything has been sorted out"

The Wildlife Society said the Strategic Fuel Fund's oil deal heightened the risk of pollution and should be subject to a proper assessment

The seaworthiness of vessels entering local waters and the competency of their crews were of "paramount importance", said the society's West-

ern Cape conservation ecologist Marlene Laros

"Unfortunately, this is an aspect over which the Strategic Fuel Fund will have little control"

The effectiveness of booms to contain spilled oil during unfavourable weather conditions remained a concern, said Ms Laros

"While we laud the efficient response in the clean-up operations, the risk of oil spill and the effectiveness of contingency plans to cope with these eventualities must be assessed"

All South Africans had to be involved in deciding whether or not the risk of increased tanker traffic was acceptable

"In the spirit of the developing National Environmental Policy, an environmental assessment with an appropriate brief and with full public participation should be informing the decision to bear the increased risk for our environment," said Ms Laros

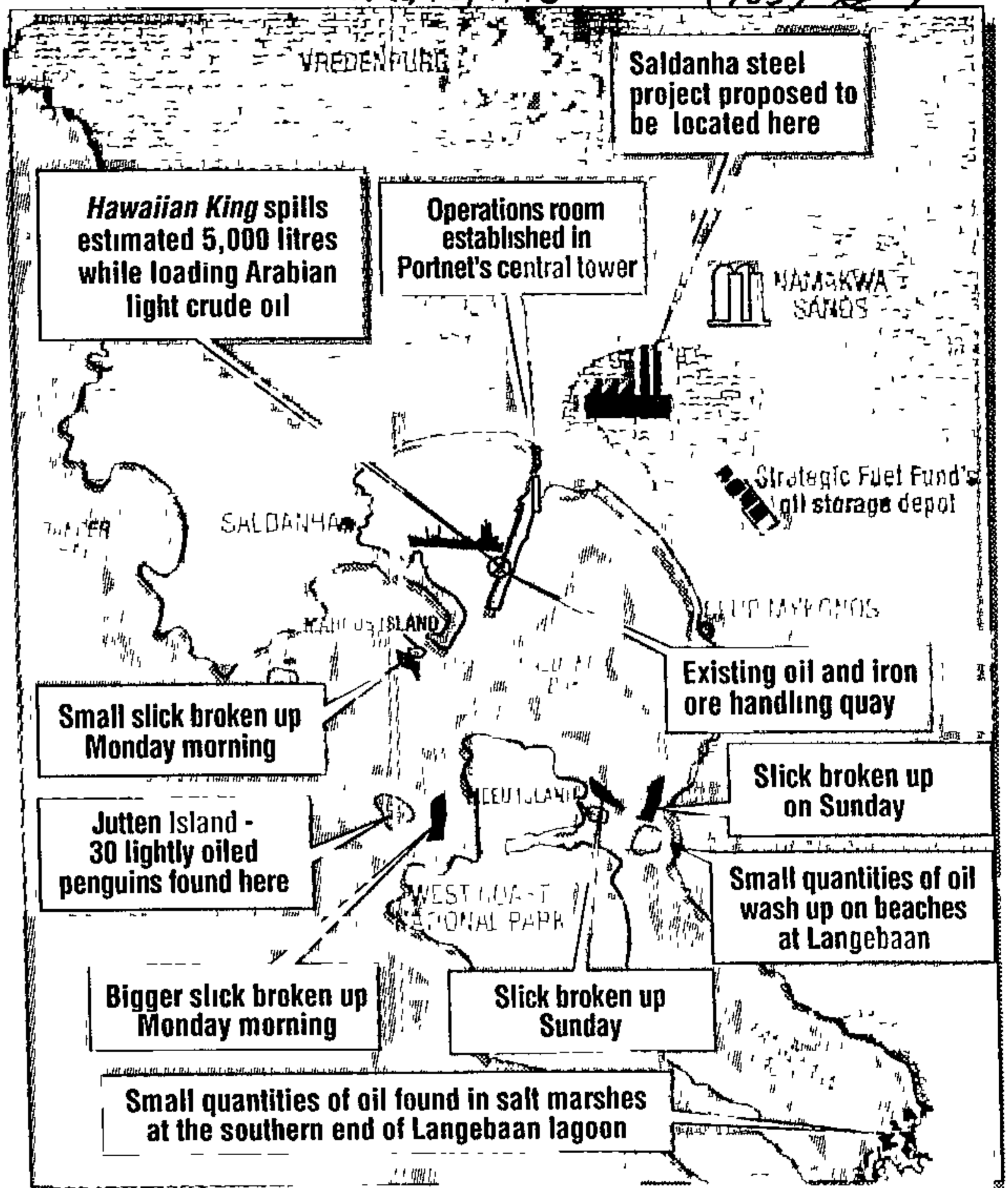
Earthlife Africa said the fact that a "small" spill of a few tons had reached Langebaan and Churchhaven within 24 hours highlighted the potential catastrophe of an Exxon Valdez-type incident in the bay

"The inability of the port authorities to contain and deal with such a small spill also highlights the inadequate measures in place to deal effectively with oil spills

"The spill is a timely reminder to Environmental Affairs Minister Dawie de Villiers and Mineral and Energy Affairs Minister Pik Botha that Saldanha Bay-Langebaan Lagoon is a highly sensitive ecosystem that needs to be protected for the benefit of future generations and not exploited for short-term gain"

Leading estuarine ecologist and environmental consultant Allan Heydorn expressed concern that the spilled oil had been in ballast water being discharged, as such water often was contaminated

● The Strategic Fuel Fund has been asked to comment



SCENE OF THE SPILL: This graphic of the Saldanha Bay area shows where some of the oil spilled from the Hawaiian King tanker ended up — and proves the National Parks Board's point that Saldanha Bay and the Langebaan lagoon are one environmental system and must be managed as such

Botha to assess oil-spill strategy

MELANIE GOSLING
STAFF REPORTER

(183) (180) (18) CT 12/9/95
MINERAL and Energy Affairs Minister Mr Pik Botha says his department will have to re-examine anti-pollution equipment and the methods used in cleaning up oil spills at Saldanha Bay

Commenting on the oil spill from the Hawaiian King, Mr Botha said last night: "We cannot afford

to be satisfied that our ability to limit damage is sufficient. We will have to look anew at our equipment and methods."

As anti-pollution staff continued to clean up thin slicks on the water yesterday, three days after the five-ton spill, the National Parks Board questioned the effectiveness of pollution control measures in the Saldanha Bay harbour

Acting chief executive Mr Herman Botha said "In the light of the planned Saldanha Steel mill and oil storage facilities, one wonders what the environmental consequences would be in the case of a larger oil spill."

Oil from the spill has been found in the Jutten Bay area, where about 30 soiled penguins have been seen

Petrol outlets dry up as strikers stop deliveries

Renee Grawitzky and Edward West

CAPE TOWN — Striking workers at two major petroleum companies — Engen and BP — blockaded depots yesterday preventing the distribution of petrol to retail outlets with some of Engen's Gauteng service stations and a number of BP retail outlets not receiving deliveries

BP spokesman Simon Drysdale said last night that a number of retail outlets had gone dry after drivers who wanted to work were prevented from going on deliveries by striking workers who refused to comply with the Supreme Court interdict not to obstruct the entrance and allow customers access.

An Engen spokesman said attempts to resolve the dispute with the Chemical Workers' Industrial Union yesterday were made by offering 11% for one year to February 28 next year, but with a performance increase linked to the profitability of the company, measured over the first six months of the Engen fiscal year to end-March next year

The dispute had resulted in an "illegal strike" at Engen depots since Monday, but neither the company nor the union could confirm how many workers were on strike.

Union president Abraham Agulhas said the demand was a 13% wage increase from Engen. The union's demand for a 12-month moratorium on job losses had been resolved with an agreement for high level discussions on job security in the context of overall industry restructuring.

The Engen spokesman said the company had adhered to grievance procedures, but the union withdrew from the process and had engaged in illegal strike action. The union had also resorted to using coercion and death threats, Engen claimed

Strikers at BP return to work

(183) (S) ARG 14/9/95

□ Wage deal being finalised after disruptions

Staff Reporter and Sapa

STRIKING Chemical and Industrial Workers' Union members at BP oil company have returned to work

BP distribution manager Peter Theron said today that management and union officials were finalising a wage deal following days of disruptions.

The union was demanding a 13 percent increase, and the company was offering between 11 and 12 percent, when talks broke down

The contents of the final deal are not known

● The South African Petroleum Industry Association yesterday called for the government to immediately stop all

subsidies to the "highly profitable" Sasol

Association director Colin McClelland said Sasol, with its huge assets built on taxpayers' money, had a major role to play in the fuel industry.

"But it must compete fairly," the added

Favouritism to Sasol could affect motorists and the industry, and create concern among potential foreign investors

"There is no place for state subsidies to highly profitable companies"

Sasol had recorded R2,83 billion in profit in the past year, Mr McClelland said. In addition

to its R1 billion state subsidy, Sasol had other hidden subsidies. Overall, it was being subsidised in excess of 20 cents for every litre of petrol it produced

A government policy that encouraged a regulated but competitive liquid fuels sector needed to be urgently implemented, Mr McClelland said

The normalisation of South Africa's petroleum industry was impossible while Sasol continued to be guaranteed a privileged position by the government

Government subsidies for Sasol last year exceeded the combined profits of all other participants in the petroleum industry, Mr McClelland said

Depot strike hits petrol stations

(183) ~~(183)~~ Star 14/9/95
Several Engen petrol stations in Gauteng were running out of stock after striking workers blockaded fuel depots yesterday.

The workers embarked on the illegal strike action after pay talks between the company and members of the Chemical Workers' Industrial Union had come to a halt yesterday.

A number of BP stations in Cape Town were also hit by strike action when negotiations between the company and the CWIU broke down.

An Engen spokesman said the company had demonstrated good faith during bargaining, had adhered to grievance procedures and had made "every attempt" to reach a settlement.

But the CWIU had withdrawn

from the negotiations and begun an illegal strike, she said.

Engen had offered workers a pay rise linked to the profitability of the company for the first six months of the financial year beginning this month. It had also offered an 11% rise for the year March 1995 to February 1996, which would mean a new minimum wage of R2 243 a month.

Pay talks between BP and the CWIU broke down on Tuesday night. The union had demanded a 13% across-the-board pay rise while BP had offered a 12% rise for drivers and 11% for other staff, a BP spokesman said.

The union, however, had rejected the offer and it was consequently withdrawn, he said. — Sapa and Staff Reporter.

RJR Nabisco poised to buy into Delfoods

CT(OR) 14/9/95
 BY CHARLOTTE MATHEWS
 INVESTMENT EDITOR

RJR Nabisco, a major food company based in the United States, could be poised to return to South Africa if negotiations with Anglo American's Del Monte Royal Foods (Delfood) to buy 50 percent of its Royal Beech-Nut subsidiary are successful.

Analysts said yesterday the publication of the cautionary notice — which stated that "negotiations are presently under way which could result in the desired transaction being consummated" — suggested that the talks were close to fruition.

RJR Nabisco sold Royal Beech-Nut in South Africa to Royal Foods in 1989 and Royal Foods bought Del Monte Foods International, formerly a Nabisco subsidiary, in 1992.

RJR Nabisco's food subsidiary, Nabisco Holdings, is the fourth largest food company in the United States. The company earns 70 percent of its \$8 billion revenue from snack food products.

Analysts said it was impossible to calculate what it would cost Nabisco to buy into Royal Beech-Nut as its financial details were not separately disclosed. However, one suggested the acquisition would not make a substantial difference to Delfood in the short term as Royal Beech-Nut was a relatively small part of the business.

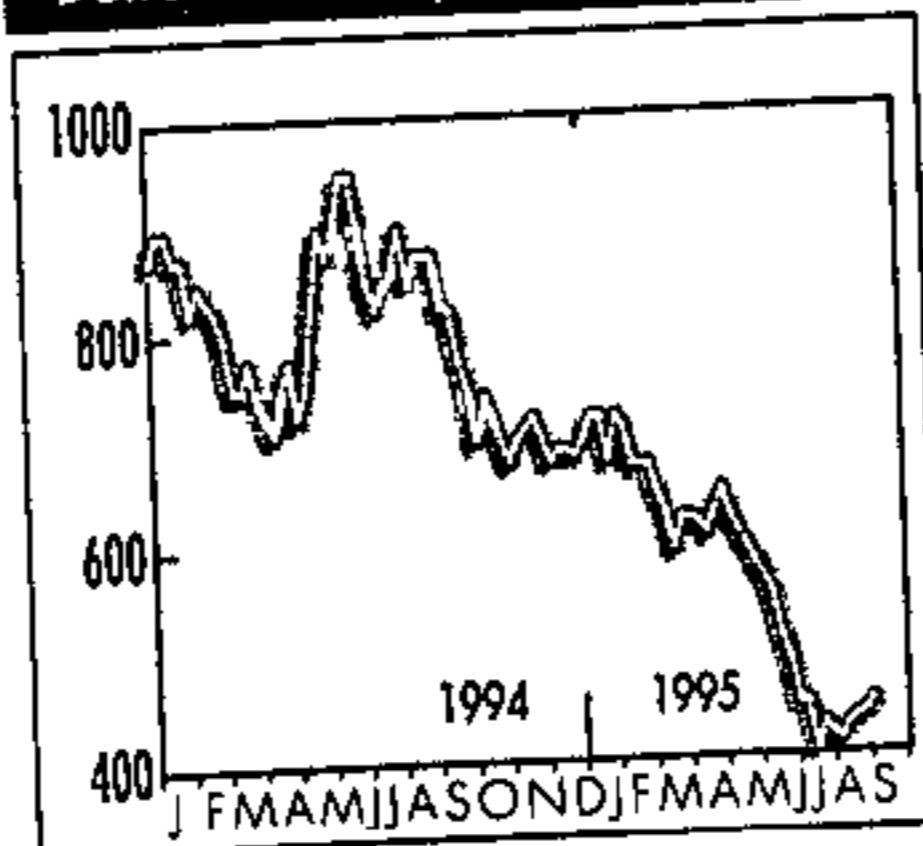
In the longer term, analysts said, the South African company — already the most profitable in the Delfood stable — would benefit from technology, management input and product development.

Delfood's shares have performed poorly over the last year although they received a boost in August-October from renewed rumours that Delfood could acquire Swiss-based Hero.

The shares have since crawled steadily downwards, hit by an only marginal increase in earnings for the year to November and a fall in earnings at the succeeding interim stage. These lows were blamed on the strength of the Kenyan shilling and low pineapple prices.

At 450c this week, Delfood shares are 47 percent below their price at the same time last year and their price-earnings ratio of 8,6 is among the lowest in the food sector.

Delfood share price



Sasol chiefs boost stakes

(183) CT(OR) 14/9/95
 BY ANDY DUFFY

Sasol's directors lifted their personal stakes in the group by 63 percent in the year to June, boosting the value of their holdings at year-end by more than R3 million.

The shares, detailed in Sasol's latest accounts, also landed the board free shares worth R171 000 at present prices in the recently listed subsidiary, Polifin.

The accounts said at last year's year-end the board held 92 600 shares, worth R2,33 million on the closing price on June 25 last year.

The holding had jumped to 151 086 shares 12 months later, while the share price had hit R35,50 on that date, valuing the shares at R5,36 million.

Under the terms of Polifin's listing in July, Sasol shareholders were given 15 Polifin shares for free for every 100 Sasol shares held.

Johann Stegmann, the chairman, Paul Kruger, the managing director, and André du Toit, the executive director, who sit on Polifin's board, stand to gain from a share-option scheme for Polifin directors.

The group posted attributable income ahead 24,2 percent to R18,6 billion for the year to June.

The performance was underpinned by a strong contribution from its petrochemicals business, including Polifin, in which it now holds 42 percent.

Nyati told to pay back R864 000

BY ROSS HERBERT
 STAFF WRITER

The uproar surrounding consultant Eugene Nyati was partially resolved yesterday when investigator Brian Shroobree told Nyati to return R864 000 of R1,23 million he charged the Mpumalanga government for two months of consulting.

But the question remains whether Nyati's R540 an hour fee is outrageous or "peanuts" in the private sector, as Nyati described it.

Nyati acknowledged billing R540 an hour while advising Mpu-

malanga about how to restructure its three development corporations. On the face of it, consultants say, R540 is high but not outrageous.

Although such professions as architects, surveyors and engineers follow a recommended fee schedule to charge the government, there are no firm rules for general management consultancy. Senior legal consultants typically charge R500 to R700 an hour while arbitrating engineers can charge more than R600.

"For a very senior guy with a lot to offer in this field (management consulting) that wouldn't be an out-

rageous fee," said Stephen Asbury, the senior vice-president of Gemini Consulting. "However, it's very different to compare a one-man consultancy with a big international firm which must cover far more physical and staff overheads."

"Management consultants are like celebrities. Margaret Thatcher can pull \$30 000 for one day. Nyati says there are people who make a lot more than he did, but the question is does he have that kind of pull to justify it," said Johan Redelinghuys, of the executive recruiting and evaluation firm Amrop.

More petrol firms may join strike

The Argus Correspondent

183
ARG 15 19/95
JOHANNESBURG. — The illegal strike by about 700 workers in 20 Engen depots this week — which has led to about 120 service stations in Gauteng and parts of the Free State running out of petrol — could spread to other stations if a settlement is not reached by this afternoon.

Chemical Workers Industrial Union (CWIU) negotiator Meshack Ravuku said that if informal talks to end the week-old strike were not concluded, the union would call a meeting of union leaders in the petroleum sector to discuss solidarity action

This would mean that petrol

stations serviced by other companies could be affected if they joined the strike

The union is demanding a 13 percent across-the-board increase. The company has improved its offer to 11 percent for one year, with a performance increase linked to the profitability of the company measured over the first six months of its fiscal year

The company said the 11 percent increase equated to a minimum of R2 243 a month plus other benefits including a home loan and tertiary education allowance

Engen said drivers were yesterday still preventing tankers

from leaving the depots, thereby ensuring that no petrol reached petrol stations

It is believed Engen will apply for a court interdict tomorrow to prevent the workers from continuing with their action.

Meanwhile, blockades at BP fuel depots across the country have ended and the strike in the Western Cape is over.

Workers in the Western Cape accepted BP's 12 percent salary increase on Wednesday night

CWIU president Abraham Agulhas said the union was consulting members in other provinces to see if they would accept the offer and end the strike.

Petrol pumps run dry as dispute intensifies

Sowetan 15/9/95

By Abdul Milazi (183) ~~(183)~~
Labour Reporter

THE strike by members of the Chemical Workers Industrial Union at Engen depots countrywide is set to intensify as management and the union fail to resolve their wage dispute.

The strike, which began on Tuesday, disrupted deliveries in Gauteng when workers blockaded some depots, leaving many service stations without petrol.

Poles apart

Yesterday the company and the union were holding informal talks in a bid to resolve the dispute. However, CWIU negotiator Mr Meshack Ravuku said the situation was hopeless because the two parties were "poles apart".

The union is demanding a 13 percent across-the-board wage increase backdated to March 1.

Engen is offering 11 percent backdated to March but with a performance increase linked to the company's profitability over the next six months.

An Engen spokesman said the company found the union's actions strange because its members were involved in the restructuring of the company and were aware of its financial position. Engen could not afford to pay more than 11 percent.

Difficult to justify

"At all times, the union has been involved in the restructuring programme which Engen has been implementing for the last six months. Therefore they fully understand our current financial position, economic forecasts and the impact a low Gross Domestic Product will have on fuel sales.

"The industry simply cannot afford to meet the union's demands. In fact it is difficult to justify any increase given industry circumstances."

Illegal strikers threaten more action

STW 15/9/95

(183) (15)

The illegal strike by about 700 workers at 20 Engen depots this week – which has led to about 120 service stations in Gauteng and parts of the Free State running out of petrol – could spread to other stations if a settlement is not reached by this afternoon.

Chemical Workers' Industrial Union negotiator Meshack Ravuku said yesterday that if infor-

mal talks to bring the week-old strike to an end are not concluded, the union would call a meeting of union leaders in the general petroleum sector to discuss solidarity action.

The union is demanding a 13% across-the-board increase. The company yesterday improved its offer to 11% for one year, with a performance increase linked to

profitability of the company measured over the first six months of its fiscal year. The 11% increase translates into a R2 243 minimum wage plus benefits.

■ Meanwhile, blockades at BP fuel depots across the country have ended, and the strike in the Western Cape is over after workers accepted BP's 12% salary increase on Wednesday night.

SASOL

Well-timed push into chemicals

(183) PM 15/9/95

The strong contribution from chemicals could not have come at a better time for Sasol. Financially, it offset the flat performance from synthetic fuels and 24% decline in the 1995 year's operating profit, to R390m, from oil refining.

Sasol Chemical Industries' 102% growth in operating profit (111% after tax see table) fuelled the 11.3% rise in group operating profit, keeping results much in line with market expectations.

In terms of contribution to profits, chemicals are fast catching up to the mainstay synfuel operations. Deputy chairman and MD Paul Kruger confidently predicts that, even with the tariff protection enjoyed by synfuels, chemicals will make a larger contribution to operating profit this year.

That's the second benefit of the chemical division's fine performance while it may not allay the controversy around Sasol's tariff protection, worth about R1bn in financial 1995, it shows a more balanced mix of activities and diminishing reliance on the synfuel operation.

It also justifies Sasol's decision in the mid-Eighties, and subsequent heavy capital programme, to develop the chemical activities to counter volatile world oil prices.

Over the past five years Sasol's capex has exceeded R7bn, about R5bn of this directed towards value-added chemicals. Kruger says the downstream move into chemicals was accelerated during the 1986 oil crisis.

"Chemical prices and oil prices are often counter cyclical. This is showing now with world oil prices, in real terms at their lowest since 1973, while the average prices of chemicals are relatively good," he says.

Sasol's timing has been favourable, many of its chemical projects coming on stream in time to benefit from the past year's recovery in international prices. Joint ventures with AECI to form Polifin and the German Schumann Group with Sasol waxes are also paying off.

Polifin rode firmer international demand and higher prices for commodity plastics and chemicals, growing operating profit 87%, to R730m, compared to pro forma figures.

The new Schumann Sasol group (Sasol holds two-thirds of the German-registered merged company) is expected to post turn-



Sasol's Kruger restructuring could be extensive

over of about R1,5bn for the calendar year, 70% of which should be in US dollars and D-marks.

Sasol will continue focusing on the chemical division, expecting to spend about R3bn over the next five years on possible investments. It believes there is considerable unexploited chemical production potential, particularly in alpha-olefins.

Synfuels, however, will undergo a rebirth, spurred by the phasing out of tariff protection and new technology. Kruger says the first of the new

generation SAS synfuel reactors has proved to be extremely cost-effective and efficient. In time, he says, the 16 existing reactors at Secunda could be replaced with six SAS reactors, offering increased production and cost savings.

Sasol accepts that tariff protection will be phased down and is determined to make its synfuel operation profitable. Kruger would like longer than the five years recommended in the Arthur Andersen report. But he says that even without protection the business will be profitable, at current oil prices and given sufficient time to make research and technological changes.

A task group has been allocated to study implications of reducing tariff protection

and the restructuring needed to counter it. Kruger says changes would be extensive.

Like the rest of the international oil industry, Sasol Oil was hit by refining margins which declined by 30% over the year. Results were cushioned by the R408m upgrade of the Natref refinery where crude oil throughput grew by 3.6% and white products volumes increased 6.4%, also coming on stream at a useful time.

The disappointment was the 14% fall in operating profit (to R312m) from Sasol Mining. Kruger says operating costs increased to upgrade facilities to meet increased demand for coal to the synfuel operations. Coal prices firmed by only 6% while unit costs increased by 11.6%.

Mining should become an important contributor when Sasol starts exporting coal towards the end of 1997. The R635m export project — which includes the cost of procuring 5.17% of the export capacity at the Richards Bay Coal Terminal — will add value, finding optimal use for the 3 Mt of export-grade coal to be mined at Twistdraai.

Exports are growing and underscore the rand hedge value of Sasol. Over the financial year exports grew by 126% to R1,74bn, most from higher value chemicals but also R350m from alcohol exports. Group exports are now worth about R2bn.

This year's results depend on four key factors: world chemical prices, international refining margins, the US dollar/rand exchange rate, and the tariff protection.

Kruger notes chemical prices have recently softened, but believes it is temporary. He does not expect a sharp deterioration.

The exchange rate is a hard call, but Kruger expects some depreciation of the rand against the dollar, perhaps 6%. He does not see refining margins firming. Tariff protection awaits a government decision.

From the beginning of the year, though, halfway through Sasol's financial year, minimum protection will be reduced from the current US\$21 a barrel to \$19. At the same time Sasol will make its last R550m payment to the Central Energy Fund for Sa-

CHANGING THE MIX

Year to June 25	1994	1995
Turnover (Rbn)	9,84	11,95
Operating income (Rbn)	2,52	2,80
Attributable (Rbn)	1,50	1,86
Earnings (c)	264	323
Dividends (c)	90	102

MORE FROM CHEMICALS

	1994 (%)	1995 (%)
Mining	16,7	13,9
Synthetic fuels	39,4	37,4
Chemicals	18,4	31,3
Oil	20,8	13,2
Other	4,8	4,2
Taxed profit (Rbn)	1 533	1 896

P.T.O.

Association wants Sasol subsidy ended

CT (BR) 15/9/95 (183)

By DEREK TOMMEY

The 15 percent increase in Sasol's pre-tax profit to R2,83 billion has been attacked by the South African Petroleum Industry Association, which claims that

Sasol is being subsidised unfairly

John Drake, the association's chairman, said last night that while Sasol had a major role to play in the oil industry it had to compete fairly

For the period under review, Sasol's subsidy amounted to more than R1 billion and the company also enjoyed a hidden subsidy through Petronet pipeline tariffs of about 5c a litre

"Sasol received more than

20c a litre in subsidies on every little bit it produced

"If the RDP is to work and if the economy is to grow, the industry must return to normal. There is no place for subsidies to highly profitable private companies," Drake said

Blockades, strike at
BP fuel depots end

(183) CT 15/9/95

A STRIKE since last Thursday at BP's Cape
Town terminal and blockades at BP fuel
depots countrywide have ended, company
spokesmen said yesterday

Sapa, Staff Reporter

OIL INDUSTRY (183)

Touch-paper FM 15/9/95

Petrol is the hottest issue in a Mineral & Energy Affairs discussion document that forms the basis for a national policy summit

State assistance to synfuel producers Sasol and Moss gas is still raising hackles. Crude oil refiners recently walked out of the Liquid Fuels Industry Task Force in protest against the acceptance of an Arthur Andersen report recommending generous terms for phasing out assistance to Sasol.

The document says aid to synfuel producers changed in 1989, when a reference price of US\$23 a barrel was set. This "derived oil price" is converted to rand using a formula related to Sasol's production costs

and purchasing power parity — not at the current exchange rate. But the reference price has since been reduced to \$21,40.

State assistance kicks in at oil prices below the reference price. At prices above \$28, Sasol must start to repay past assistance. At the present oil price of just under \$17, assistance is substantial.

The present system can carry on with periodic reviews by independent State-appointed auditors, the document states, or the level of production can be adjusted.

Separating Sasol's operations might make sense. Oil refiners resent the prospect of Sasol, which they say was built with public money, becoming a retail competitor.

Another option would be to impose tariffs on all imported crude oil and refined products, though fuel tax would have to be cut to prevent upward pressure on prices.

Ad valorem tariffs would conform to Gatt but local refiners could be discouraged from further investments.

A third option is to phase out support for Sasol in line with SA's trade policies and commitment to Gatt. This is the route to follow but would have to be combined with decisions on agreements restricting Sasol's right to retail refined products and the refiners' obligation to absorb about 95% of Sasol's synfuel output.

A major problem is that the synfuel issue, retail price maintenance and the rationalisation plan (Ratplan), which regulates entry to the retail market, form a seamless web and interference with existing arrangements at any point affects most or all of the others.

One policy option is to oblige Sasol to continue to market its output through the oil refiners in their capacity as wholesalers. There would be a "commercially negotiated agreement," with no interference by the State unless it entailed an unreasonably high level of State support for synfuel.

Or Sasol could have the same rights as the oil refiners, enabling it to establish its own retail network. The paper says the industry already has enough filling stations to market current output. If Sasol, with 30% of output of refined products, entered fully, there would be great disruption unless it acquired a chain of outlets. This line of thought has no doubt contributed to the repeated kite flying about Sasol linking up with Engen.

The future of the Central Energy Fund (CEF), the Strategic Fuel Fund and Soekor needs evaluation. The CEF could be wound up and its functions distributed to State departments, says the document.

It also acknowledges that Moss gas is not economically worthwhile (the gas will soon run out), even though the organisation enjoys marketing benefits and State assistance like Sasol does. The position of Moss gas should be resolved as soon as possible through closure, sale to private interests or conversion to methanol manufacture.

Polifin warns of (183) import dumping

Star 3/10/95

■ BY STAFF WRITER

Polifin, the plastics and chemicals company, has warned the government to monitor imports to prevent dumping once trade barriers are lifted.

Chairman Johan Stegmann said in the company's annual report that South Africa already had low import tariffs by international standards.

But once the final barriers were removed in line with the General Agreement on Tariffs and Trade, local business would need the government to prevent international rivals disrupting the market by dumping stock.

"Local industry will depend on the Board of Tariffs and

Trade to effectively enforce the Gatt rules which prohibit disruptive trade practices such as dumping," Stegmann said.

The group, listed in July by Sasol and AECI, lifted proforma earnings 60 percent to R354 million for the year to June, on sales 26 percent higher at nearly R3 billion.

Higher international prices had underpinned the performance, but also meant reference prices and formula duties — designed to protect local industry against sharp international players — had not applied.

Stegmann said the duties were unlikely to apply before their planned phase-out in 1999, unless there was a collapse in international prices.

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"The policing of imports is an area of concern which needs to be addressed by the authorities," Stegmann said

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Stegmann said the duties were unlikely to apply before their planned phase-out in 1999, unless there was a collapse in international prices.

This left Polifin dependent for protection on an ad valorem duty of 10 percent

International prices were beginning to taper off, following 12 months of uninterrupted price increases, but Polifin's outlook remained good, Stegmann said

Cost savings from a new plant in its PVC and chemicals divisions would cushion the blow of any downturn from 1996

Polifin's R646 million Midland upgrade would save at least R150 million a year on costs, the report said.

Sasol's tariff plan more costly than Nedlac's

(183) CT(BR) 3/10/95

By ANDY DUFFY

STAFF WRITER

Sasol's proposals to phase out its tariff protection could cost petrol buyers about R2,5 billion more than independent plans recommended to the National Economic Development and Labour Council (Nedlac)

The 8-year phase-down proposed by Sasol would land the group another R5 billion in subsidies — double the level proposed by consultant Arthur Andersen in

its controversial report to Nedlac

Sasol said yesterday it wanted the same phase-down period as that given to other subsidised industries

Under Arthur Andersen's proposals, Sasol would suffer an average R625 million tariff revenue loss a year until the phase-out in 2000

but the group wanted to spread the burden into the next century, cutting its annual tariff shortfall to about R310 million

The plans, based on present crude oil prices, have been put to

Nedlac's liquid fuels task force

A Sasol source said the plans should be given a sympathetic hearing, given that Nedlac had accepted Arthur Andersen's findings that tariff protection was justified.

Sasol netted about R1 billion in tariff protection in the year to June. It said the uncertainty surrounding government plans on tariff protection was unsettling the group.

It has also begun expanding its chemicals business to reduce its dependence on synthetic fuels

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'Steps needed to end pharmaceutical crime'

(183) (24) Star 5/10/95

■ BY CHARLOTTE MATHEWS

The elimination of bonus stocks to doctors, more effective control of government stocks of drugs and better policing by Customs and Excise at all entry points to the country are needed to overcome crime in the pharmaceutical industry, fraud experts said yesterday.

Bonus stocks are supplied to doctors on the buy-one-get-one-free principle and regularly sold back to the pharmacies. Because this system is permitted, drugs can come into the market from a number of sources, not only directly from the manufacturers.

Lee Dutton, Hamilton Whitton Group's MD, Johan Moorcroft, the Pharmaceutical Manufacturers' Association's (PMA) legal adviser and Lieutenant Daan Davis of the SAP, estimate the annual loss to the pharmaceutical industry from stolen and illegally packaged drugs could be between R300 million and R1 billion a year.

A working group has been formed by the pharmaceutical industry and other parties whose members include the SA Police, Customs and Excise, Hamilton Whitton, the PMA, the National Association of Pharmaceutical Manufacturers, the Medical and Dental Council and the Medicines Control Council.

According to an article in the latest edition of SA Druggists' Health Trends, pharmaceutical crime ranges from thefts from manufacturers, wholesalers and retail pharmacies, to hi-jacking of trucks carrying medicines, and massive theft from government warehouses and hospitals. The government buys almost



Copy cat . . . Lee Dutton, the managing director of Hamilton Whitton & Associates, shows a range of counterfeit pharmaceutical items

80 percent of all medicines in the country.

Dutton said yesterday that besides medicine theft, the major problem was counterfeit drugs. Counterfeit drugs were packaged identically to the originals but made up in factories that were not licensed. In First World countries, counterfeit drugs often contained genuine drugs and placebos in the ratio of two to one, although in the Third World some packages had been completely made up from placebos and sometimes with ingredients that killed.

In South Africa, no complete counterfeits have yet been found in the private sector, but there are re-packaged drugs that have been bought overseas in bulk, or stolen from the government.

One of the major priorities, Davis said, was to establish tighter control of government stores. The SAP was sitting on R4 million of recovered stolen medicine marked for the government store but as far as the government was concerned it had not lost a single tablet.

The victims of medicine theft — considered the best organised crime in South Africa — were everyone, Moorcroft said.

It was not only the manufacturers, the honest doctors and pharmacists who paid for the drugs bought by the government and then bought them back re-packaged, but also the taxpayer

Inland Revenue was also being cheated of revenue on profits and VAT, he said.

Sasol deal news lifts Omnia

(183) Star 5/10/95

Early last year the shares of fertiliser and explosives group Omnia topped around the 1 200c level prior to embarking on an inexorable slide which recently depressed them to an 18-month low of 840c

The main reason for the market's disenchantment was the group's heavy debt burden, which came home to roost on the bottom line for the six months to June 1995.

During this period an operating profit of R5.7 million was more than wiped out by an interest bill of R12.9 million

Last month the share price was revitalised, a 150c gain to 1 000c, by the news that it could be merging its fertiliser and explosives division with that of Sasol

Should the plan come to fruition, a R900 million a year fertiliser business would ensue

The two groups' explosives operations would then be combined in a new jointly owned R550 million-a-year company

The full details have yet to be hammered out, after which the deal would require the blessing of the unions and the Competition Board

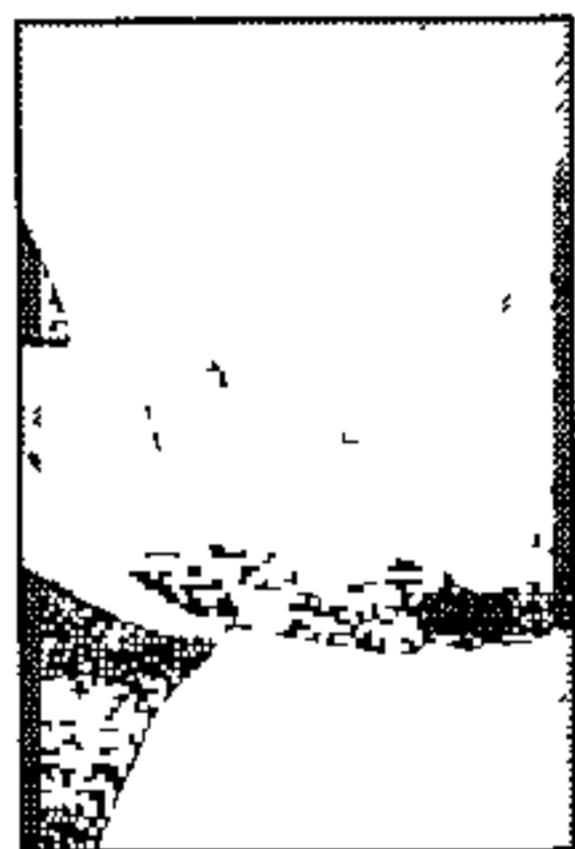
Nothing is likely to be finalised until next year which is perhaps why, after the first flush of enthusiasm, Omnia's shares have since slipped back again to 950c

Also of concern to investors must be the drought and Omnia's ability to fund such a transaction

Omnia has indicated that the deal would be financed mainly via shares, though there would also be a cash element and cash is a commodity not in abundant supply in the Omnia balance sheet.

Be that as it may, should everything go according to plan, the benefits for Omnia (annual turnover R683 million)

ON DIAGONAL STREET



By JOHN SPIRA

Patient investors could reap substantial rewards a year or two down the line

would be a whole lot more significant than for Sasol (annual turnover R10 billion)

Indeed, consumption of the deal would probably create a huge transformation in Omnia, one in which, some analysts have estimated, the group's

earnings could be boosted by as much as 50 percent in the wake of huge rationalisation gains

Possible ships between cup and lip and the lengthy time frame involved in bringing the deal to its ultimate conclusion are manifest deterrents

When a company changes direction, the market habitually sits back, takes stock and waits for the signs which indicate whether or not the new strategy was wise or otherwise

Until a year ago, investment company Yabeng's portfolio was concentrated on listed and unlisted companies in the former Bophuthatswana

It has since decided to develop a national portfolio of unlisted companies with listing potential

The market wasn't sure how it

Shares

should react to the new route and the shares accordingly fluctuated in a trading range bounded by a downside of 380c and an upside of 490c

Recently, the price moved up out of that band to 500c, suggesting that Yabeng has been given the thumbs-up and that the shares are poised for a strong advance

The several unlisted companies now featuring in the portfolio make it difficult to establish true net worth, though the balance sheet's 524c a share at the end of March is certainly one source of encouragement

Another is Yabeng's partnership with the hugely successful Choice Holdings in CIC Investments, which contains all Choice's business apart from its Agrichieks division.

CIC recently acquired Midland

Meat, a processed meats supplier whose major customers are government, hotels, restaurants and supermarket chains, and which has evolved into South Africa's second-largest meat processing company

Exciting, too, is Yabeng's 7 percent stake in broadcasting, outdoor marketing, direct marketing, specialist publishing and specialist marketing group Primedia

In the past year Choice's share price has soared by more than 300 percent and Primedia's by 188 percent

Unbank is another promising investment

Significantly, Yabeng is not at all expensive, yielding as it does an attractive 4.6 percent and offering an unusually low price-earnings multiple of 3.9

Most encouraging of all, the market seldom gets it wrong

It's made an unequivocal decision on Yabeng's future and those who do not go along for the ride have only themselves to blame

'Wide steps needed to end pharmaceutical crime'

(183) CT(BR) 5/10/95

By CHARLOTTE MATHEWS
STAFF WRITER

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SAP was sitting on R4 million of recovered stolen medicine marked for the government store but as far as the government was concerned it had not lost a single tablet.

The victims of medicine theft — considered the best organised crime in South Africa — were everyone, Moorcroft said. It was not only the manufacturers, the honest doctors and pharmacists who paid for the drugs bought by the government and then bought them back re-packaged, but also the taxpayer. Inland Revenue was also being cheated of revenue on profits and VAT.

Moorcroft said the method of tackling the issue of pharmaceutical theft had to be holistic, involving law enforcement, trademark protection, the law courts and marketing codes.



COPY CAT Lee Dutton, the managing director of Hamilton Whittom & Associates, shows a range of counterfeit pharmaceutical items which have been repackaged to look the same as the genuine products.

PHOTO: JOHN WOODROOF

UM

Responsibility is the chemical industry's strategy for survival

(183) CT(MR) 6/10/95

A series of devastating accidents around the world and unending media reports of pollution by toxic chemicals has left the chemical industry with an image of one that cares little for its planet and workers.

In the United States, the image of this essential industry has fallen so low that out of 10 industries ranked, it ended up in ninth place — just above the tobacco industry in public esteem.

But is this image really deserved? After all, the industry is a major employer in South Africa, it is responsible for essential products such as plastics, man-made fibres and miracle drugs, and it generates a considerable portion of our gross national product.

Without the chemical industry, many of our other large industries, such as mining and car manufacture, would come to a grinding halt within a few weeks. Surely these immense benefits outweigh any negative aspects of pollution?

The answer, of course, must be a resounding no, even from the chemical industries' most ardent supporters.

The South African chemical industry took an important first step in tackling this problem in May last year, when the Chemical and Allied Industries Association launched its Responsible Care Programme.

Responsible care began in Canada in 1985 and has since been adopted by chemical manufacturers associations in many countries around the world, including America, Britain, Australia and now South Africa.

The association includes in its membership not only chemical manufacturers but also allied in-

TERRA FIRMA



BY DAVID BALDWIN

Global pollution and accidents have created a poor public image

dustries that formulate, distribute, transport, treat and dispose of chemicals. It requires signatory companies to demonstrate their commitment to a continued and demonstrated improvement in all aspects of their performance in the areas of protection of health, safety and the environment.

One of the most important objectives is to show that the industry is responsible and responsive to advice and criticism by society.

Responsible care is a self-regulatory programme that requires companies to adhere to a set of 10 guiding principles, a series of management practice standards, guidance notes and check lists that aim to assist the companies to meet their commitment.

The programme has been described by a chemical industry executive as "the chemical industry's strategy for survival".

Many critics simply consider it a sham and a superficial public relations gimmick.

It has obvious public relations implications but whether it is legitimate will depend on the indus-

tries' performance over the next few years. The major challenge facing the chemical industry is to bridge the enormous communications gap that exists between it and the public.

A self-regulatory programme such as responsible care can only succeed if there is persistent open and honest dialogue between the industry, its surrounding communities and all other interested and affected parties.

The Community Awareness and Emergency Response programme developed by AECI at its Umbogintwini complex in Prospecton, Natal, is an excellent example of a community outreach programme under the banner of responsible care.

However, the company will have to ensure the project's continued success to maintain its credibility.

The new constitution entrenches the public's right to know. Therefore the industry will have to accept openness and transparency if it is to obtain from the public the desired mandate to operate.

One criticism of many overseas responsible care programmes is that self-evaluations are insufficient to monitor progress and that independent assessments are necessary.

The South African chemical industry must develop a system of external evaluations that are viewed by affected communities and its critics as truly independent and mandatory to ensure the programme retains its credibility.

Responsible care will only succeed if it becomes a major strategic

factor in all decisions made by a company. It must be made to permeate all levels of the organisation and become the norm rather than the exception.

This will not be easy and will require an effort from top management, since it requires a culture change among line managers who, up to now, have been motivated mainly by the bottom line.

Individual companies and their industry representatives must be aware that the initiative easily loses credibility if they say one thing with responsible care and another thing when they deal with sensitive green issues, such as



the debate over the use of chlorine-based chemicals.

Through its responsible care programme, the South African chemical industry has taken the first important step on the road to regaining the acceptance of the public. Performance is what people are looking for and expectations are high. The road is not an easy one, but the rewards for success will be worthwhile.

□ The writer is an environmental and technical consultant for En-Chem Consultants and technical director of Waste-tech. His particular interest is solid and hazardous waste management.

Engen expected to take a hammering

Mungo Soggot

80 b/10/95 (183) AA-1/10/95

ENGEN's earnings for the year to August would be dismal and all eyes would be on its chances of staging a turnaround next year, analysts said yesterday.

Earnings a share forecasts ranged between 60c and 110c, compared with 267c last year — a shock performance which CE Rob Angel warned shareholders about in July.

He said massive retrenchment costs of about R80m were likely to keep second-half earnings well below the first half's 57c a share. First-half earnings were down 50% on the same period last year.

Analysts said Engen's second half's performance would also take a hammering from continued technical problems at its upgraded Durban refinery which were knocking output.

It appeared the refinery's performance was also being affected by Engen's retrenchment programme, which could be making it more difficult to sort out the technical problems, one said.

Anderson Wilson analyst Mike Ray said earnings a share for the year to August would end up at about 70c, but he predicted a sturdy turnaround for the next financial year which should produce earnings close to 300c a share.

Continued problems from the Durban refinery would dent its operating profit in the second half.

However, refining margins began improving towards the end of the company's reporting period. There was a good chance they would improve during Engen's 1995/96 year.

Next year, the company would be free from the massive once-off R80m restructuring costs which would slash this year's earnings. It would also be in a position to cash in on a leaner operation and a higher refinery throughput.

Other forecasts for next year's earnings ranged between 180c and 250c a share. One analyst said the company was unlikely to top 250c unless refining margins picked up and it sorted out the problems at its refinery.

The share, which sank to a year low of R21 on Wednesday from R38 at the start of 1995, was unlikely to go much lower. It edged up 55c to R21,75 yesterday in line with the firmer trend on the JSE.

Another positive feature was its move to hive exploration activities into a separate company.

However, the analyst warned the cloudy question of fuel industry deregulation would still hang over the share's performance.

The company is scheduled to report its results on October 31.

'600-million-a-year medicine loss'

(183) ARG 7/10/95

JOHANNESBURG. — South Africa's R11-billion pharmaceutical industry loses between R360 million and R600 million annually as a result of medicine theft and counterfeit drugs, research conducted by the Hamilton Whitton Group (HWG) has shown.

According to an article in Health Trends, members of the pharmaceutical industry have decided to take action by joining forces.

Forming the Concerned Pharmaceutical Manufacturers Group (CPMG), they called in HWG, who provide investigative services to combat fraud, theft and counterfeiting.

"Before we can even think of clamping down on the black market, we will have to improve our own control systems," says HWG managing director Lee Dutton.

"Manufacturers are obliged by law to put batch numbers on products, but from the moment the drug leaves the factory there is very little control over where it ends up."

Drugs are stolen from manufacturers, wholesalers and retailers, and trucks carrying medicines are hijacked. However, it is difficult to prove that recovered goods have been stolen, the article said.

Also, medicine is often stolen from the state because of inadequate control systems at warehouses and hospitals, and as a result of a centralised distribution system.

Medicines sold to the public sector are not marked, making it easy to recycle drugs stolen from the government back into the private sector.

According to Dutton, officials working at border posts have their hands full trying to keep illegal narcotics or counterfeit medicines from entering South Africa.

Many of these drugs are kept in unsafe conditions, which affects their potency.

In some African countries it is estimated that as much as 70 percent of all medicines on the market are counterfeit, the article said.

The CPMG is considering placing HWG security officials at border posts to assist customs and excise officials.

"It is important that consumers and potential criminals know that we are committed to protecting the industry and its clients against people with more greed than integrity," says Mr Dutton. — Sapa.

Profit up 22% for SA Druggists

(183) et (BR) 10/10/95

By CHARLOTTE MATHEWS

INVESTMENT EDITOR

Malbak-controlled health care group South African Druggists (SAD) grew bottom-line profits by 22 percent to R117 million in the year to August compared with last year despite absorbing the costs of its current expansion programme

Chief executive officer Peter Beningfield said the current phase of the group's development drive should peak in 1997

The cost of further acquisitions, as well as the expansion of the Medicross network, will put a brake on earnings growth. However, the group is confident that earnings a share will continue to grow by between 15 and 20 percent this year

Group turnover grew by 15 percent in the past year to R2,5 billion, on which operating margins were kept at 7 percent, resulting in an operating income of R172 million

The interest bill grew sharply as gearing lifted to 19,5 percent from



Peter Beningfield

3,9 percent, reflecting not only the costs of acquisitions and clinic development but also an increase in working capital requirements. Beningfield said gearing was expected to peak at about 30 percent, but that would be temporary

Earnings a share lifted by 20 percent to 191,4c on an increased number of shares in issue, partly as a

result of previous capitalisation awards. Capitalisation shares, or a final cash dividend, are being offered, bringing the value of the cash dividend for the year to 62c from 56c previously

Beningfield said all divisions contributed to the performance and market shares had been maintained in value terms

In the past year there had been a marked increase in demand for generic medicines from the state which was difficult to explain, but this had put a strain on the group's supplies. Demand from the state for penicillin, for example, was 100 percent higher than expected

In the past year the group spent R188 million on capital projects and R247 million on new ventures. A further R250 million is budgeted for capital projects in the current year, mainly expenditure on Medicross, the health-care delivery company, where the number of centres is expected to expand to 46 by August 1996 from 22 at present

White lime plant given nod

EUNICE RIDER

THE UCT Environmental Evaluation Unit has given conditional approval to the proposed white lime plant at the Kynoch fertiliser factory in Milnerton

In its environmental impact assessment it says the plant can go ahead if Kynoch observes the unit's recommendations and improves communication with the public.

Its report says emissions into the atmosphere should not exceed those used in the report on atmospheric dispersion modelling

The overriding concern expressed by interested and affected parties had been that the white lime plant would add to the emissions of other industries in the area and jeopardise the health of people living and working there

The researchers recommended that Kynoch continues having its hazard and operability studies independently reviewed at each stage of its programme

They said the findings of the independent specialists' reviews should be made available to the public

Studies

They also said the findings of all future hazard and operability studies should be incorporated into a modified process design in such a way that all potential hazards would be "satisfactorily mitigated"

Also recommended in the report is that Kynoch conclude

agreements with suppliers of raw materials to the proposed plant, to allow archaeologists and palaeontologists — studying prehistoric human societies and animal fossils — to examine fossil deposits and middens before work begins on each of the areas to be mined

Mr Clive Thorpe, general manager of Kynoch Cape, said recently that the fertiliser giant makes sufficient fertiliser to grow enough wheat for fifteen million loaves of bread a day

But he added that it wanted to do this "in harmony with the community and in an environmentally responsible manner".

"We need to work with you to achieve improvements that benefit us all, at costs we can all afford," he said

10/10/95 (183)

COMPANIES

Somerset West AECI plant to close

Mungo Soggot (183)
BD 10/10/95

ANGLO American's chemicals business AECI would shut down its Somerset West explosives operation next year at a cost of about R7m because of a slowdown in demand, the company said yesterday.

It said demand had been hit by the development of newer products and by the decline of the mining industry.

About 90 of the 103 jobs at the plant would be made redundant.

The R7m closure money would be spent on retrenchment costs, asset write-offs and for rehabilitation of the factory site.

Up to 13 people would be needed for Cape distribution, and to close the plant, which AECI press officer Robbie

Vermont said accounted for a very small portion of AECI Explosives.

For the past eight years it had been manufacturing only a small range of detonating explosives — all of which were also made at its main Modderfontein operation.

Further jobs could be lost due to the related cutback of services obtained from the site. Details would be available on closure timetable finalisation.

In 1987 the factory's nitro-glycerine operation was shut down. It had been operating for almost 100 years.

Since the 1987 cutbacks it had been making detonating fuse and detonating explosives.

AECI Explosives' turnover was R1,9bn in the 1994 financial year — 35% of the group's R5,5bn.

SA Druggists stocks up its medicine chest

Beatrix Payne (183) BD 10/95

SA DRUGGISTS lifted attributable earnings 22% to R117m before extraordinary items for the year to August, buoyed by strong performances from its chemicals and pharmaceuticals operations.

The Malbak-owned group said yesterday it would spend R235m in the current year, with more than half targeting health care, its new strategic focus.

CE Peter Beningfield said start-up losses in newly acquired health care operations had clipped R5m from operating income this year, and the new capex plans would restrain current year earnings growth.

Turnover rose 15% to R2,5bn and operating income followed suit, posting a 15% rise to R172m. The interest bill rose to R19m (R6m) as gearing jumped to 19,5% (3,9%) following increased borrowings to fund acquisitions.

Beningfield said gearing was well within the group's target range, and he expected it to increase to peak at

around 30% this year.

The tax bill increased to R53m (R51m), leaving income after tax only 8% higher at R100m.

Share earnings were 20% higher at 191,4c, while the dividend rose to 62c from 56c. A scrip alternative was also offered.

SAD declared extraordinary items of R203m, related to trademarks and goodwill written off from acquisitions during the year.

Over the year the group bought UK generics company Lagap Pharmaceuticals, a 75% stake in clinics chain Medicross, 76% of Garec Pharmaceuticals, 26% of pathology services group Pathdiens and the remaining 11% of pharmacy benefit company Mediscor.

State demand for generic products showed substantial growth, and as a result Lennon had been unable to properly supply the private sector. Margins came under pressure as a result.

The distribution operations improved and turnover rose 25%, but its contribution to group operating income was barely changed at R19m (R18m).

02
-30
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03

Unleaded petrol (183)
UNLEADED petrol would be available at selected retail service stations from February, entering the market 4c/l cheaper than leaded petrol, the mineral and energy affairs department said yesterday
BD 11/10/95

Vertical text on the right edge of the page, appearing to be a list or index of items, possibly related to a newspaper's masthead or a specific publication's details. The text is small and difficult to read, but seems to include various alphanumeric codes and possibly names or titles.

Builders 'unlikely' to quit warranty accord

BD 12/10/95

Robyn Chalmers

THE construction industry has backtracked on its threat to withdraw from the builders' warranty mechanism if banks fail to achieve the 50 000 low-cost home loans targeted for next June.

Building Industries' Federation of SA (Bifsa) president Reg Edwards said yesterday that some builders were still concerned about the slow progress on mortgage loan approvals, and some were unhappy about their participation in the mechanism.

It was, however, unlikely that the motion passed at Bifsa's annual conference last month — to review its participation in the mechanism if banks did not meet the loans target — would be implemented, he said.

"We all need to pull together if the housing programme is to get off the ground. The banks are just as concerned about lack of progress."

Over the past four months, fewer than 1 000 mortgage loans have been issued by the four major banks in SA, sparking fears that the 50 000 loans agreed on with government last year

would not be met.

However, banking industry sources said that several smaller banks were making progress in their efforts to deliver finance to the low-income market.

Community Bank executive trustee Cas Coovadia said the bank had been very active in the area of mortgage finance to the lower end of the market over the past six months.

"This is particularly the case in the past two months because bottlenecks that existed in the subsidy release programme are beginning to be resolved."

Coovadia said the Community Bank had committed 1 370 loans valued at R67,4m over the past six months, of which 670, valued at R28,6m, had actually been disbursed.

The average value of the loan disbursed was R42 705. All bank loans were issued at 18,5%, the current rate.

□ Housing subsidies amounting to R65,6 million have been approved by the Free State housing board. A total of 4 379 subsidies have been approved and 3 250 approved in principle.

See Page 4

Mediation service to remain independent

BD 12/10/95 (155)

Renee Grawitzky

THE Independent Mediation Services of SA (IMSSA) would remain independent of the Commission for Conciliation, Mediation and Arbitration but would assist it wherever possible, Dave Douglas of IMSSA said at the launch of Gauteng Settlement Week last night.

The settlement week — a joint initiative by the Industrial Court and IMSSA to reduce some of the estimated

4 000 cases awaiting the Industrial Court in the Gauteng region — takes place between November 13 and 25.

Durban's settlement week resulted in the settlement of 120 of a backlog of between 500 and 600 cases.

The intention of this countrywide initiative was to give parties the opportunity to "finalise disputes in an effective and relatively inexpensive way through conciliation, arbitration and other agreed processes"

Call for crude oil refining rise

BD 12/10/95 (183)

SA WOULD have to increase its existing crude oil refining capacity by 150 000 barrels a day to 800 000 over the next five years to accommodate increasing regional demand, BP Southern Africa chairman Tony Deakin said yesterday.

Sapa reports he told the Africa Oil 1995 conference that BP estimates showed regional petrol demand would double by 2010 as the Southern African Development Community started moving off its low fuel consumption base.

SA had a daily crude refining capacity of about 450 000 barrels, while synthetic fuel producers — Sasol and Mossgas — had crude oil equivalent capacity of under 200 000 barrels a day.

SA's refined consumption was about

320 000 barrels a day with an additional synfuel consumption of an equivalent 120 000 barrels.

He said SA's current export capacity would fall short of demand in fewer than five years.

Meanwhile, ~~Somewhat~~ Enslin reports Shell Exploration and Production Namibia (M) Ger Kegge told the conference Eskom and Iscor were still being considered as potential users of Kudu Gas.

Shell holds 75% of a joint exploration licence with Engen. Kegge said studies showed the fields could have a lifetime of at least 30 years.

However, the viability of Kudu Gas depended largely on whether a major end user could be secured.

HEALTH CARE

Drug houses fight State control

SA's pharmaceutical industry has unanimously rejected government proposals to control the supply of drugs in the private sector

Responding to the proposals contained in the Broomberg/Shisana report on national health insurance, the industry warns that the concept of making drugs or any goods available in the private sector at State tender prices is potentially hazardous

This is the view of the Pharmaceutical Manufacturers Association (the multinational drug companies), the National Association of Pharmaceutical Manufacturers (local players), the National Association of Pharmaceutical Wholesalers, the SA Association of Pharmacists in Industry and the Proprietary Association of SA

"The loss of Vat, income tax, customs and excise duty to the fiscus and the macro and micro-economic implications need careful analysis," notes their submission. Government receives an estimated R5bn in taxes and related revenues from private-sector health care. The State is also able to purchase its drugs through the State tender system at prices that are as little as one tenth of the prices paid for the same drugs in the private sector

However, the Broomberg/Shisana report states there is no meaningful cross-subsidisation of State prices by the private sector, alleging that State prices are on average still some 20% higher than average international State prices — a claim not adequately substantiated in the report

The committee has thus proposed an Essential Drug List for the State which effectively means that the State will reduce the estimated 3 000 drugs it presently buys for State primary health care to around 120 drugs, presumably to achieve larger economies of scale and exclude the more expensive drugs

The Broomberg/Shisana report concludes, correctly, that drug prices in the private sector are among the highest in the world so the Essential Drug List will also be available to private-sector patients at the

same cost plus a handling fee

"Though the State is fully entitled to purchase State drugs as economically as possible, it shouldn't undermine manufacturers' ability to recoup profits in the private sector," warns Wits economics professor Duncan Reekie. Similar moves led to the collapse of drug manufacturing industries in Canada, Australia and New Zealand — a prospect SA can ill afford given the inevitable job losses

The industry instead suggests that fair and realistic prices in both the public and the private sector would be better achieved through sound competition policy, including price differentiation — a claim substantiated by international practice

They add "Care should be taken not to limit the choice of the patient or the doctor by driving competing therapies out of the market. The patient's right to choose is particularly important since they pay to be covered for all drugs, including primary health-care drugs — a consideration that lessens the burden on State resources"

To its credit, the Broomberg/Shisana report does recommend the opening up of pharmacy ownership to nonpharmacists, a move that would pave the way for medical schemes, hospitals and big business to use their bulk buying powers to discount drugs to private patients. Similar moves in the US cut prices by up to 50%

In SA, the savings could be equally significant since an antiquated distribution channel can dou-

ble drug prices from the time they leave the manufacturer to the time of purchase by the patient. It's surprising therefore, that the Broomberg/Shisana committee believe that an Essential Drug List for the private sector is really necessary, let alone viable

The committee claims that a benefit of the Essential Drug List would be the elimination of theft and fraud in both the public and private sectors. The industry contends "This argument is substantially flawed since drugs bought through the State tender

can easily be substituted for similar drugs, still available on the private market — something the unsuspecting patient won't be able to detect"

Instead, the industry proposes that medicine utilisation be holistically managed to measure outcomes to ensure the most appropriate medicine is used at the right cost — a principle that should also apply to the State Essential Drug List. They claim drug utilisation reviews and flexible therapeutic protocols — what to prescribe when and how manuals — would also help optimise utilisation and cost efficiency

"Government should also support industry initiatives to introduce a transparent pricing system in the pharmaceutical distribution chain to manage price growth," say manufacturers and wholesalers

TRADEMARKS

Feeling the bite

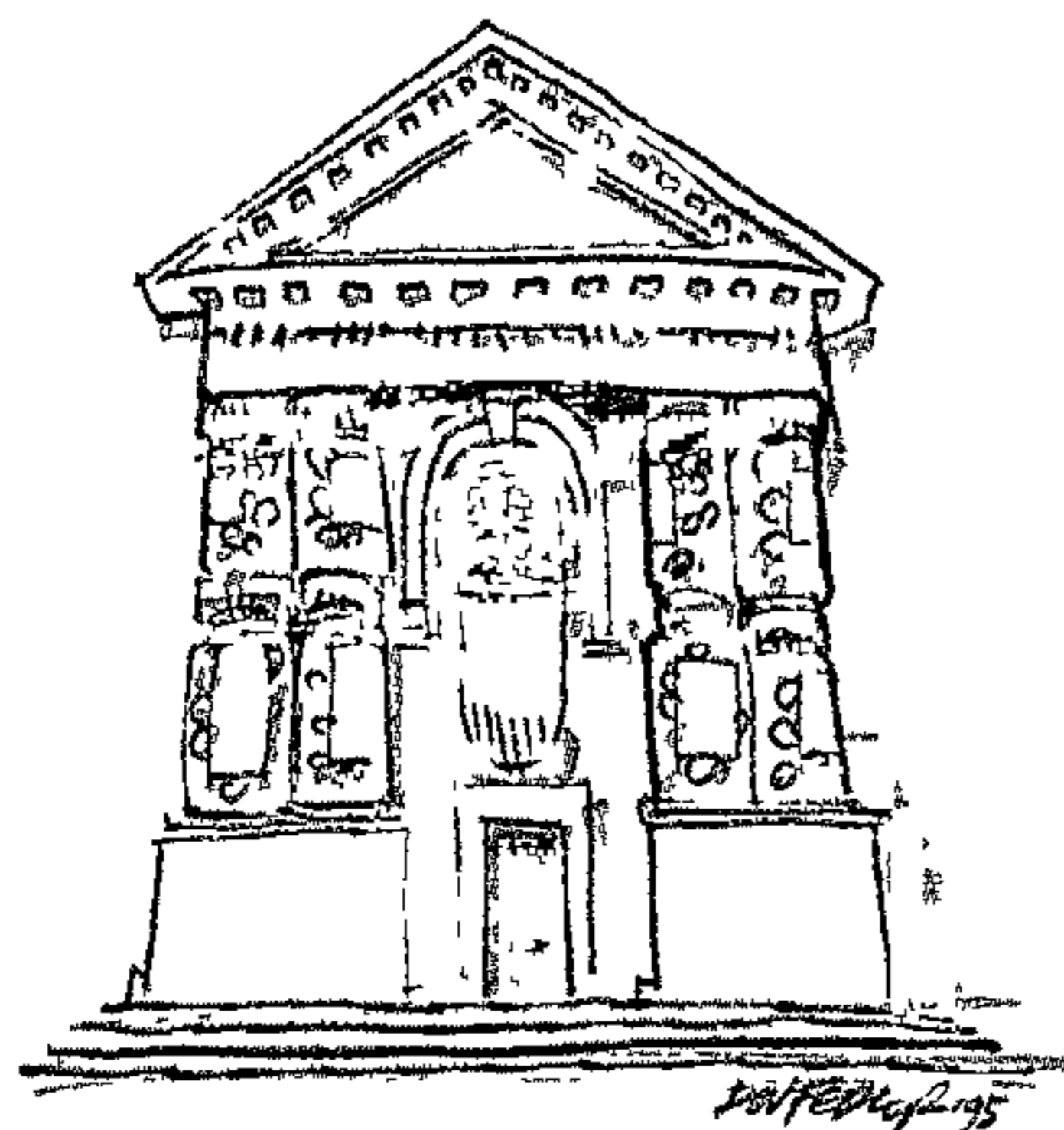
US burger giant McDonald's last week lost the right to its exclusive trademark in SA when the Supreme Court ruled in favour of an application to expunge the company's mark from the trademark register because of disuse. McDonald's will appeal against the decision

But there's nothing to stop McDonald's from opening up shop here while it pursues its appeal and applies to re-register its trademark because, put simply, no-one — including applicant Chicken Licken owner George Sombonos — now has the exclusive right to use the McDonald's trademark

The factual elements of the case have been overshadowed by its political significance — in particular the quality of the protection afforded to foreign intellectual property rights. Trade & Industry Minister Trevor Manuel hastily stepped in to announce that he would intervene to expedite the hearing of an appeal — a move that's geared to allay foreign investor fears

During sanctions, SA was seen as a haven for the entrepreneur willing and able to snatch well-known intellectual brand names and turn them into cash cows, though recent legislation largely remedies this for the businessman who acted in bad faith at that time. Earlier this year, however, the US Trade Department blacklisted SA as a country where intellectual property rights violations have taken place

The legal reality is not so clear cut. The law has always explicitly afforded



SEEKING AN ELIXIR

Year to August 31	1994	1995
Turnover (Rm)	2 150	2 468
Operating income (Rm)	150	172
Attributable (Rm)	96	117
Earnings (c)	159	191
Dividends (c)	56	62

SA DRUGGISTS

(183)

New directions

FM 13/10/95
Shrugging off a modest rise in sales (only 15%) and an increase in the weighted number of shares in issue, SA Druggists lifted EPS 20% in financial 1995

At attributable level, profit went up 22% to R117m. Taken at face value, these are relatively unexciting results for a company which has a reputation for consistently good performances.

They disguise, however, what is beginning to take on the characteristics of a fundamental change in strategy and emphasis.

The first signal of this lies in the balance sheet, which shows a hefty increase in interest-bearing debt, to R137m from last year's R25m. This puts gearing at 20%, compared with 1994's 4%. CEO Peter Benningfield says he expects debt equity to peak at about 32% before starting to decline.

The second signal is the rapid expansion phase that the company is now embarked upon. Benningfield confirms that the aim is to reduce Druggists' reliance on pharmaceuticals (75% of operating income this year, 73% last) in favour of its healthcare business on which it is increasingly focused.

This is complemented by the recent acquisition of UK generics manufacturer Lagap Pharmaceuticals for £25m. "What we have done," says Benningfield, "is to buy 125 UK quality registrations." Since Druggists' local Lennon laboratory meets European standards it can now marry this manufacturing capability with UK licences to penetrate a much broader market.

However, the area of most immediate development is in healthcare. Taking the lead from the American experience, Benningfield believes that the SA market is ripe to move from the old-fashioned concept of paying fees for a medical service to one in which companies and medical aids concentrate on preventive medicine and pay in advance for this.

This concept is driving Druggists' acquisitions of a 75% interest in Medicross, 76% in Garec Pharmaceuticals, 26% in pathology services group Pathdiens and the re-

maintaining 11% in Mediscor, a pharmacy benefit company.

However, its important thrust will be through the development of Healthcare Management Services (HMS), which Benningfield says will account for a third of operating profit within five years.

In the US, employers are now seeing a reduction in medical costs for the first time in years, healthcare management is growing at an annualised rate of 15% a year and now claims half the populace as members.

The share has moved little in recent weeks. At 3 250c, it offers an historical premium of 17 and next year a further substantial dilution will take effect as shares issued to raise the cash needed for the Lagap purchase work through.

Despite that, it is probably not out of court to expect another EPS increase of between 20%-25%. This is a good reason to buy into a company not afraid to develop into new areas.

David Gleason

The great drugs rip-off

MG 13-19/10/95 (183)

To get doctors to use their medicines, companies give them free drugs, which the doctors sell at huge profits. **Hazel Friedman** reports on the practices which have made our drugs the most expensive in the world

MANY of South Africa's 6 000 dispensing doctors receive free bonus drugs which they sell to consumers at high prices.

These drugs serve as incentives for doctors to keep selling the same medicines, enabling pharmaceutical companies to exert a stranglehold on supplies and making the cost of South African medicines the highest in the world.

The *Mail & Guardian* has in its possession several invoices sent to doctors by drug companies, as well as prescriptions from different dispensing doctors to pharmacies. The invoices list expensive antibiotics which sell at retail pharmacies for hundreds of rand, plus additional free "bonus" medicines amounting to the sum of R600.

If 1 000 doctors were to receive similar bonus drugs, and these were sold at the full price, approximately R600 000 profit in "freebies" would be made by these dispensing doctors. Medical sources estimate that prescribing for profit amounts to millions of rands a year.

A spokesperson from the Pretoria-based Pharmacy Council reports that investigations are under way into allegations of pharmaceutical company sales representatives bribing doctors with holiday packages and "free gifts".

"This practice has been going on for some time but is reaching a crisis level, and the the Pharmacy Council is powerless to do much about it," he says. Reports have also reached the council of doctors who have allegedly claimed from medical aid, after providing free medication to indigent patients

The South African Medical and Dental Council's Ethical Rules of Medicine prohibit doctors from engaging in or advocating the preferential use of prescribed medicines for profit.

Last year, the SAMDC investigated Garec Holdings, the marketing wing of PTMC (Pharmacy Trade Mark Company), which had allegedly sold shares to doctors. PTMC allegedly supplied these doctors — who in 1994 comprised the majority of the company's 550 shareholders — with dis-

counted medicines in proportion to the value of their shares.

Marketing Manager of Garec, Stavros Nicolai, insists that this was done, not in order to reap extra profits, but to provide consumers with less expensive medicines. According to a SAMDC spokesperson: "We were unable to find direct proof that the doctor-shareholders had contravened the Ethical Rules on Medicine. But there are still unanswered questions regarding this matter."

Pharmacists are also up in arms over what they describe as the drug companies' "unlimited licence to loot the industry". David Pleaner, director of the Association of Community Pharmacists, complains that 76 outlets have been forced to close in the past 12 months due to "unfair pricing structures implemented by the pharmaceutical companies combined with slow payments by medical schemes". Pharmacists, unlike doctors, are legally compelled to give discounts to medical aid societies, yet they are not entitled to receive reductions from the drug manufacturers.

'Doctors who dispense drugs pay no overheads and obviously stand to get the highest margins from prescribing and distributing the most expensive products'

"South Africa's drug companies are a law unto themselves," says Lip Fine, owner of a Pretoria pharmacy. "They set prices arbitrarily and justify their actions because they do state tenders which allow the government to purchase drugs at approximately one tenth of prices paid for medicines in the private sector"

He adds "Doctors who dispense drugs pay no overheads and obviously stand to get the highest margins from prescribing and distributing the most expensive products. That's why it's not in their interests to promote the use of generic drugs. And consumers

aren't any the wiser."

Currently, South African medicine costs are the highest in the world. Of the R8,7-billion paid out in benefits by medical aid schemes in 1992, a whopping 35 percent (approximately R3-billion) was paid out for medicines. The current prescription market totals R2,37-billion and it is estimated that it will reach R4-billion by 1997. In the United States, less than 15 percent of medical aid benefits are paid out for drugs. Due to the exorbitant costs involved, medical aid societies are urging doctors to prescribe cheaper generics to consumers.

But dispensing doctors are allegedly reaping handsome profits from incentives given to them by drug companies intent on keeping the costs of medicine as high as possible. And South African consumers are being forced to pay the price.

In the US, generic drugs comprise 75 percent of all medicines sold to consumers. But in South Africa they account for a mere 19 % of the total prescription market. Even when generics are sold at pharmacies, the cost difference with the more expensive "ethical" drug is often negligible because of huge retail markups.

The government has responded to this imbalance by releasing the Broomberg/Shisana Report on regulating the drug industry in South Africa. In terms of the report, control of drug supplies will be achieved through an Essential Drug List, which will reduce the estimated 3 000 drugs currently available in the public sector to about 120.

According to Director General of Health Dr Olive Shisana, "this will eliminate fraud and bribery in the private and public sectors and achieve a larger economy of scale by excluding more expensive drugs". The essential drug list will also be made available to private-sector patients at the same cost plus a handling fee. In addition, the government is planning to introduce parallel imports, which will eliminate restrictions on imported cheap drugs.

Local drug companies are outraged by the proposals. Says a member of the National Association of Pharmaceutical Manufacturers: "An essential drug list is potentially hazardous because it will severely undermine the pharmaceutical manufacturers' ability to recoup profits in the private sector".

Herbal remedies banned

OWN CORRESPONDENT

DURBAN: A crisis has hit the country's multi-million-rand health industry with the Medicine Control Council ordering health shops, pharmacists and distributors to get rid of dozens of popular but "illegal" herbal products.

These include body-building formulas, slimming products, the stimulant Guarana, menopause preparations, garlic and parsley pills and many vitamins.

The countrywide blitz on unregistered "medicines" began this week, with the country's 110 health shops being told to remove the offending products — more than half their stock in some cases — or face a R40 000 fine.

Major distributors and manufacturers are holding urgent meetings on the crisis and one international supplier is said to be sending lawyers to confront the council.

(183) CT 12/10/95

Pressure on SA to increase oil refining capacity

CT(BR) 12/10/95 (183)

FROM SAPA

South Africa will have to increase its existing crude oil refining capacity by 150 000 barrels a day over the next five years to accommodate regional market demand, the chairman of BP Southern Africa, Tony Deakin, said yesterday.

He was speaking at the Africa

Oil 1995 Conference outside Johannesburg

South Africa has a daily crude refining capacity of around 450 000 barrels. Synthetic fuel producers have a crude oil equivalent capacity of just under 200 000 barrels a day.

"We have to lift our capacity to 800 000 barrels by the start of 2000," Deakin said.

He said petrol demand in Zimbabwe was increasing by 10 percent a year and that South Africa's export capacity would fall short of demand in less than five years time.

According to analysts, South Africa's four crude refiners export an average 80 000 barrels of refined fuel a day.



HEALTHY OUTLOOK: Peter Benningfield, chief executive of SA Druggists



JULIE WALKER
DIAGONAL STREET

SA Druggists' plans for health industry not to be sneezed at

(183) ST(BT) 15/10/95

SA DRUGGISTS' repositioning away from a drugs, chemicals and pharmacy group towards provision of total health care in an international context played havoc with the group's financial accounts in the year to August 1995

SAD achieved attributable earnings of R117-million, 22% higher than last year, but took a R203-million extraordinary item below the line. Accountancy principles introduced for companies whose financial year begins on or after 1 April this year no longer permit this, goodwill, trademarks, closure costs and other items now have to be taken on the chin so SAD used this last opportunity to report a 20% rise in earnings a share to 191,4c (on a weighted average number of shares)

Peter Benningfield, chief executive of SAD, says his company has adopted the new principles from the financial year commencing 1 September 1995 and that figures for the year to August 1995 will be restated for comparison next year

SAD's funding requirements also changed from a surplus of R12-million to a deficit of R276-million. During the year it spent R247-million on new ventures, R122-million on expansion and R66-million on asset replacement. Gearing climbed from 4% to 19% and Mr Benningfield expects it to go higher

Turnover and operating income rose by 15%, respectively to R2,5-billion and R172-million. Three quarters of the income came from pharmaceuticals, 11% from distribution and 17% from chemicals. Health care lost R5-million or 3% of the income. Mr Benningfield says health care will

continue to incur costs for the next year or two, but should contribute to the bottom line from 1997

SAD has bought 75% of multi-disciplinary group Medicross, 76% of Garec Pharmaceuticals, 26% of Pathdiens and the outstanding 11% of Mediscor as steps in the development of health care Management Services — its thrust into managed health care. The Prep trademark was also bought

For an issue of shares, SAD bought Lagap Pharmaceuticals, a British-based generics company. This has been added to SAD's Trinity business to give a firmer foothold in England

There has been a switch in the group's policy on research and development. So far it has all been echoing ethicals for generic manufacture once patents lapse and this will not be neglected. However, SAD will now try to improve existing chemical entities with a view to patentable innovations, such as better delivery into the body

"But we also felt we needed to develop something novel for both the local and international markets. We are looking at the use of indigenous plants, especially aloes, which have long been a popular part of local medicine," says Mr Benningfield

The health care industry demands that management thinks on its feet. Health care costs to US employers fell steadily since managed schemes were introduced in 1988, shifting the risk from the funder of the medical service to the provider. Average US health care costs per employee fell by 2% in 1994

Mr Benningfield believes managed health care will grow in popularity in

South Africa. Costs per beneficiary per month climbed alarmingly from an average of R53 a month in 1989 to R140 a month by 1993. Companies are groaning under the burden and many employers have already made extra provision against the future costs of pensioners' medical treatment

SAD continues to produce the lowest-cost dose, with an average of 20c against 38c for the total market. (A dose of private medicine is treble the cost of a public-sector dose.) Independent figures show it maintained its leading 11% market share of the R5,4-billion pharmaceutical market in rand terms and 20% in terms of dosage. SAD claims market leadership in most therapeutic categories

Mr Benningfield outlines both challenges and prospects. Internationally, large companies are genericising their patent products, meaning more competition, and there is a widespread move into generics by the multinationals. SAD needs to make an R&D investment to remain a player attractive enough for consideration by serious partners

Mr Benningfield intends the group to manage its margins better, introduce new products, dominate the government's essential drugs lists and promote its Link franchise into a dominant retail position

He forecasts SAD's earnings a share to grow by between 15% and 20% during the next two or so years of development, followed by 20% earnings growth thereafter. If SAD can provide health care management cheaper than can others, it will be rewarded in the long run

The share lost 50c to R32 after the presentation. I wouldn't sell

Engen, World Bank in finance deal

Mungo Soggot

BD 16/10/95
(183)
ENGEN is finalising a financing deal with the International Finance Corporation (IFC) for its \$100m stake in Congo's N'Kossa oil fields.

It is the largest deal to date between an SA company and the World Bank's private sector financing arm.

Engen exploration and production CEO John Bentley said at the weekend that the IFC would take 43% of Engen's 4% stake in the project in a deal that would serve as a magnet to attract other international financing.

The N'Kossa stake would be housed in the new exploration company Engen is hoping to list, although the listing — aiming to raise around \$100m — had been postponed until early next year.

The IFC said the deal for N'Kossa

should go through before the year end. Engen would be left with a 57% stake in its original holding. In its annual report, the IFC said it was lending a total \$141m for the N'Kossa field. The other three stakeholders are Chevron, Elf and Hydro-Congo. The IFC is also involved in Anglo American's \$246m Sadiola gold mine project in Mali.

The other assets in Engen's new exploration company include Engen's 8% stake in the North Sea Alba fields, 10% of the Bukha fields in Oman, 20% of a potential development in Bredasdorp and other assets in Namibia, Angola, Congo and Gabon. The move has been driven by Engen's need to find funds without straining its cash resources. The listing should also shield the new company from any negative developments in the local oil industry.

Union's move could hit chemicals accord

Renee Grawitzky

183 (152)
130 16/10/95

A PARALLEL initiative started by the SA Chemical Workers' Union (Sacwu) could jeopardise the agreement reached by the Chemical Workers' Industrial Union and employers to establish a central forum in the chemical industry.

Industry sources have indicated that Sacwu, an affiliate of the National Council of Trade Unions (Nactu), has started its own parallel initiative and has requested a meeting with all employers and unions in the chemical industry.

The Chemical Workers' Industrial Union's national collective bargaining co-ordinator Chris Leeuw said Sacwu had refused to take part in discussions with his and other unions on the move towards centralised bargaining in the industry until the labour minister had established an industrial council.

CWIU and employer representatives met on Friday to discuss the tasks to be undertaken by the joint employer-union national working group which, according to the agreement, must define the various sectors, draft a constitution and determine levels of bargaining and what issues should be discussed at which level.

The employers, however, said before the working group could meet, the union had to try to get the other unions on board.

Leeuw said a number of meetings had taken place with other unions operating in the industry including the Mineworkers' Union and Yster en Staal unions, and further meetings were planned.

He said the union and chemical employers could be heading for "bigger battles" on the establishment of the national and sectoral forums in the industry after a number of areas of disagreement were noted. These related to the constitution and structure of the national and sectoral structures.

Leeuw said disagreement centred on whether the constitution should apply to the national and sectoral forums or whether each structure should be governed by a separate constitution.

He said the employers opted for separate constitutions, administration and financial arrangements for each forum, while the union wanted one constitution covering all the forums.

An employer spokesman said the employers' position was not a mandated one, and formed part of initial discussions.

Sentrachem to restructure interests

(183) CT(BR) 17/10/95

FROM SAPA

Sentrachem has restructured its agrochemical interests to position its operational units more effectively for growth, stability and profitability

Two of the Agrihold operations, Agricura and Efekto, have been incorporated in a restructured Sanachem, managing director John Job said yesterday

Agricura's headquarters would be moved from Chloorkop, near Johannesburg, to Canelands in Natal, while Efekto would continue to operate from Silverton, Pretoria, and would report — with Agricura's retail operations — to Bill Cullen, the manager of the com-

pany's retail operations

"The level of service provided by Agricura, which recently celebrated its 50th anniversary, will be expanded so that the organisation will handle the marketing and distribution of agrochemicals to the domestic market for both Agricura and Sanachem," Job said

Agrihold's third operation, Sanvet — a 50 percent joint undertaking with Premier Pharmaceuticals — would continue to be managed separately, but would report to Abraham Brink, previously from Sentrachem

The restructuring would obviate the need for Agrihold's corporate head office, which would close at the end of December

Boland chemical workers on strike

Staff Reporter

(183)

ARG 18/10/95

EMPLOYEES of two Boland chemical plants which form part of the Denel Group are on strike after wage negotiations deadlocked last week

The workers, members of the South African Chemical Workers' Union, are demanding either a 12 percent across-the-board wage increase or a R250 a month increase, whichever is greater

Management has offered a five percent across-the-board increase

Union organiser Sizakele Mahlutshana said a total of about 350 workers at Somchem's Somerset West plant and the Kranskop plant in Wellington downed tools yesterday

The workers reported to their work stations today, but did not plan to do any work

Mr Mahlutshana said management and the union were now discussing referring the matter to mediation

Sentrachem boosts earnings 36%

By CHARLOTTE MATHEWS
INVESTMENT EDITOR

Sentrachem lifted earnings a share by 36 percent to 123.4c in the year to August, compared with last year, as volumes and prices in the chemical industry grew for the first time in many years.

However, in results released yesterday it emerged that the profit on the sale of Megapak had been neutralised by a conservative provision to cover an unauthorised loan of \$15 million by an employee to a company with which the group had substantial shipping contracts.

Group turnover rose by 34 percent to R3,7 billion, including a 62 percent improvement in exports to R750 million. Operating profit was 35 percent higher at R334 million, showing operating margins unchanged at 8.9 percent.

John Job, the managing director of Sentrachem, said a target margin would be about 10 percent. However, margins were under pressure from the co-ordination of selling prices with rising costs, the effect of a strong rand on export income and the effect of tariff reductions. Fixed costs had been well contained.

The tax rate eased to 15 percent from 18 percent, a combination of increased income from offshore which was tax-free, income from preference dividends, and some tax-free general export incentive



WELCOME GROWTH John Job, the managing director of Sentrachem, announces a 36 percent increase in earnings after the chemical industry's first year of growth in many years.

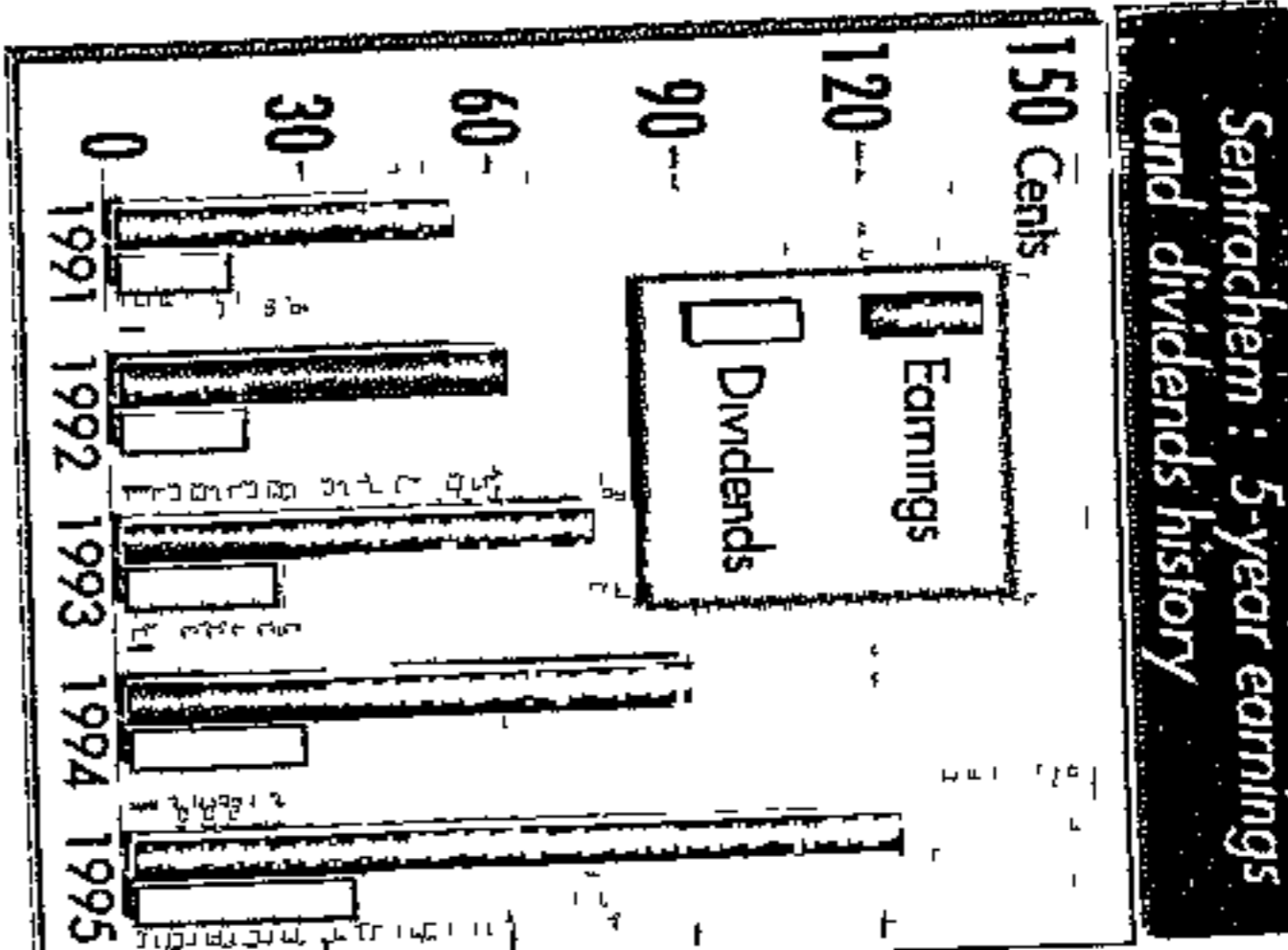
PHOTO JOHN WOODKROOF

scheme income. A higher tax rate is expected in the current year.

The contribution to outside shareholders dropped to R32 million (R40 million) since Sanachem

became wholly owned.

An extraordinary charge of R1 million represented profit on the sale of Megapak, Megapipe and Megaflex, less a substantial provi-



sion "against advances to a third-party shipping company".

Job explained that a company with which Sentrachem had important shipping contracts ran into difficulties and a Sentrachem employee had advanced it an unauthorised loan of about \$15 million.

Whether the loan could be recovered is not clear, but management considered it prudent to make provision with the funds available.

A dividend of 35c (28c) was declared on a slightly higher dividend cover.

Sentrachem recently announced the acquisition of American specialty chemical company Hampshire Chemical Corporation from September 1, which should add about

R800 million or 20 percent to turnover and make a significant contribution to profit in the current year.

As a result of the acquisition, the group's gearing ratio climbed to 70 percent from its previously expressed ceiling of 30 percent and management intended bringing this down. A global depository receipt issue was being considered.

Among Sentrachem's major businesses, Karbochem achieved its budget in both turnover and profit. Higher margins boosted the rubber division, but this was offset by lower than forecast carbide sales.

NCP had an outstanding year, with record sales and profit, while higher physical output and a recovery in world polymer markets lifted Satripo's results.

Results from the agricultural division, including Sanachem and Agrhold, were disappointing due to the drought, a strike at the Berlin plant, delays in commissioning new plants and the strength of the rand. The division has been restructured, it was announced this week.

Lower inflation levels, continuing business confidence and resumed growth in demand for chemical commodities should enable Sentrachem to achieve real growth next year, Job said.

The chemical commodities market eased in the second quarter of this year but supply and demand was expected to tighten next year.

Sentrachem plugs into exports surge

Mungo Soggot

BD 19/10/95

(183)

CHEMICALS group Sentrachem bagged a 75% increase in attributable income to R210m for the year to August, cashing in on surging exports and high chemical prices which helped propel turnover 34% to R3,75bn.

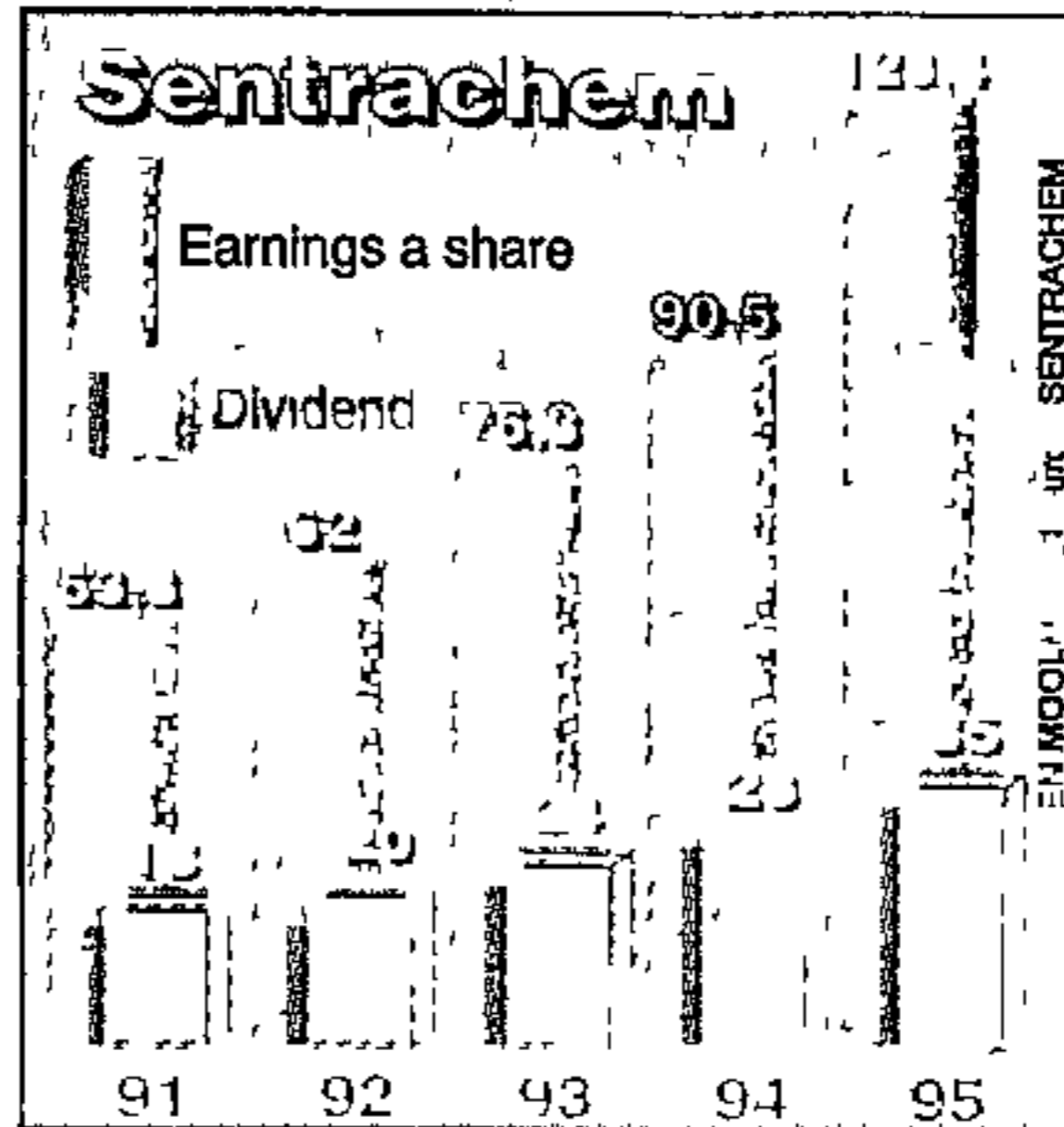
MD John Job said most divisions had performed well except for those trading in the agriculture sector — Sanachem, Agrihold and Karbochem.

“Strengthening world economies have led to a tightening of product supply with a resultant rise in prices.

“After years of management and cost controls, Sentrachem has positioned itself well to take advantage of this trend.”

Earnings a share were up 36% at 123,4c, diluted by an extra 21-million shares in issue after the acquisition of the outstanding portion of Sanachem.

The company would announce a share capitalisation award later this



year. Shareholders not choosing it would receive a final dividend of 23c, pushing the total payout to 35c (28c).

Job said the company had managed

Continued on Page 2

Sentrachem

Continued from Page 1

(183) BD 19/10/95
a 35% increase in operating profit to R334m despite static margins, which had been kept under pressure by the increase in foreign competition stemming from lower import tariff barriers

Exports now made up 20% of turnover against 16% last year. Net borrowings were up at R190m (R147m) and gearing was unchanged at 12%.

Job said he was poised to go on an international roadshow for Sentrachem's bid to tap international equity markets. It wanted to help soak up the debt incurred for US specialty chemical company Hampshire Chemical Corporation, bought in September, and aimed to raise between \$70m and \$80m. Hampshire would contribute

about 15% to Sentrachem's operating profit in the coming year, but he did not want to pin a figure to its expected effect on the bottom line.

Back home, Sentrachem was gradually selling off Megaplastics in a bid to move away from downstream manufacturing. It had sold Megapak to Nampak, while Murray & Roberts had bought Megapipe and Megaflex. Possible suitors were looking over the remaining remnants of Megaplastics, Megahitec and Sagex.

Job said the chemical price would not sink much further as factors such as China's new presence among world buyers would prop up prices. In any case, only 38% of Sentrachem's operations were commodity-based.

Financial director Norman Kennelly said compound growth had increased 23% over the past four years, and he expected this trend to continue.

Fossil shell mining given nod by experts

By CHARL DE VILLIERS

ANCIENT fossil shells on the West Coast are to be mined by a fertiliser company that has been praised for its progressive environmental stand-

The University of Cape Town's environmental evaluation unit has cleared Kynoch's Fertilizer Limited's proposed white lime plant as long as it imposes mitigatory measures which start at the point of extraction — a 120 000-year-old fossil shell deposit near Veldrif.

Although the site's destruction is inevitable, scientists have approved quarrying in terms of landmark deals that ensure the fossil riches are sampled and recorded before bulldozers destroy them forever.

Kynoch, an AECI subsidiary, wants to process the natural product into white lime at a planned Milnerton plant to supplant current imports worth R20 million a year.

The company has committed itself in principle to all the rec-

(183) ST(M) 22/10/95
ommendations of the UCT environmental impact report

An accord with UCT says Kynoch and Lime Sales Ltd — the company expected to extract the raw product — must allow archaeologists and palaeontologists to study fossil deposits and shell middens before each area is mined.

SA Museum palaeontologist John Pether said the proposed lime source dated back to the last interglacial period, when seas were considerably warmer and about five to six metres higher than present.

Describing mining as a "window of opportunity", he said "Mining is sure to destroy the deposit, but the idea is to monitor quarrying to get information out as it is unearthed."

Lime Sales would also have a geologist at the site, which was expected to yield bones of whales, seabirds, seals and even land animals

Kynoch general manager Clive Thorpe said the company hoped to have the factory on line by late next year

Oil field shows promise

ST 22/10/95 By CAS St LEGER

183

SOUTH AFRICA could be producing 20 000 barrels a day of off-shore oil by next March at an initial cost of R349-million, Pik Botha, the Minister of Mineral and Energy Affairs, said yesterday.

He said an oil field, discovered by Soekor in 1990, had been identified 140km south-west of Mossel Bay — about twice as far out to sea as the aborted Mossgas project. A US-based oilfield developer, Oceaneering, had confirmed Soekor's findings.

Mr Botha said 13,4 million barrels of a high quality oil would be recovered during the oil field's lifespan, representing about six percent of South Africa's crude oil consumption. The oil is apparently of comparable quality to Brent oil pumped out of the North Sea.

The state stands to earn R129-million a year in taxes, while saving R428-million in foreign exchange.

Should the operation fail, taxpayers could be faced with a bill of more than \$36-million (about R129-million).



Oil decision explained

CT 23/10/95

THE decision to unplug three oil boreholes off Mossel Bay to provide South Africa with about 6% of her oil needs and save more than R400 million in foreign exchange was motivated by improved technology and an end to political "diffidence". (183)

This was said last night by a spokesman for Mineral and Energy Affairs Minister Mr Pik Botha

He was commenting on the cabinet decision to begin pumping 20 000 barrels of crude oil a day off the southern Cape coast from March next year.— Political Staff

Caltex employees picket over 'racist' affirmative action claim

LINDIZ VAN ZILLA

CALTEX is embroiled in a controversy with black employees after an employee was suspended "indefinitely" for circulating an internal memorandum accusing the company of racist policies in its affirmative action programme.

The confrontation came to a head outside Caltex's Foreshore offices on Friday when members of the company's Black Employees Forum (BEF) held a placard protest with slogans reading "Stop hiding racism", "Caltex stop victimisation" and "Corporate white-washing".

They demanded the reinstatement of Mr Zimele Ndlela, who was suspended last Wednesday after he circulated a report accusing Caltex of victimisation and intimidation.

Mr Ndlela's report, communicated via Caltex's e-mail system, said "affirmative action at Caltex has been a big and expensive joke".

Delays

He accused Caltex of creating delays in the implementation of affirmative action and claimed it was being conducted on a "part-time" basis.

An affirmative action task committee within the company also came under strong attack from Mr Ndlela.

In his report he said: "Management made it a point to select blacks to represent management on the committee so as to give the illegitimate process a flavour."

Forum chairman Mr Luvuyo Mabombo, said: "A proposal that two BEF members should be on the committee was rejected outright".

Forum organiser Mrs Thandi Kwane said although the committee was elected on a one person one vote basis, numbers counted against the Black Employees Forum because there were so few black employees in the company.

Caltex media manager Mr Terry O'Donovan dismissed these claims, however, saying the committee had been elected fairly: "Forums were organised throughout the company to discuss and debate the election and a video was also shown to inform employees of the process."

CT 23/10/95 (183)
The Black Employees Forum created a false impression it represented every black employee

If the forum had rallied their membership properly, and not along racial lines, they would have been able to form a part of the committee, he said.

He also denied allegations that Mr Ndlela had been suspended because of the content of his memo.

Mr Ndlela was suspended because of a breach of agreement between himself and the managing director, and was currently under investigation

A request by the managing director not to communicate Black Employees Forum grievances to the rest of the company had been broken when Mr Ndlela circulated the memo, he said.

● See Pages 4 and 17

Family connection in Sentrachem saga

Mungo Soggot

THE shipping company that received an unauthorised \$15m loan from Sentrachem, prompting the group to suspend its international chief, has the son of Sentrachem's former MD among its senior management members.

The company — Adriatic Tankers — has three ships impounded in Durban harbour and, according to court papers presented in Durban, Sentrachem may have a stake in one.

Sentrachem MD John Job said at the weekend the group had considered taking a stake in a bid to recover some of the money lent. It had not gone ahead with the plan.

The group refused to comment on the senior management position held at Adriatic Tankers by Johan van der Walt, son of Sentrachem former MD Johan van der Walt.

Sentrachem said last week it had suspended William Bergh, head of its London office, after he issued the unauthorised loans. The cash had been

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Sentrachem (183)

Continued from Page 1

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given in 60 separate transactions and the loan was discovered only in June

Adriatic Tankers has yet to be liquidated, but the impounded ships — Stainless Hyogo, the Anchen and Cape Spirit — have applications for judicial sale hanging over them

An affidavit presented to the Durban and Coastal Local Division about Cape Spirit reads "The probabilities are that the shares of the Panamanian company which owns the Cape Spirit are in fact controlled by Sentrachem or one of its subsidiaries"

Sentrachem finance director Norman Kennelly said at the weekend

Sentrachem had taken the stake to get security for the loans. However, the group's executive director, Ralph Oxenham, said it had "absolutely no stake in any ship". The papers presumably referred to shares in Bergh's name, he said. Job said the group had merely considered taking the stake.

Sentrachem said the group had had close links with Adriatic for 10 years. Some contractual obligations remained but it was unlikely that Sentrachem would renew them.

"An event of this nature is clearly distressing. All financial controls and governance practices are being reviewed," Job said.

Kennelly said Sentrachem had no further exposure to Adriatic above provisions in its financial results for the year to August.

Caltex jobs policy 'only short-term'

LINDIZ VAN ZILLA

ET 24/10/95

AFFIRMATIVE action was a "short-term tool" that Caltex Oil would apply until its staff complement matched the demographic make-up of South Africa, the company's media manager in Cape Town, Mr Terry O'Donovan, said yesterday.

His comments followed demonstrations outside Caltex House on the Foreshore by members of the Black Employees Forum in protest against the way the company applied affirmative action.

Mr O'Donovan said that of the 94 new staff members hired this year, 64 were black, 19 coloured, four Asian and seven white. This proved that Caltex's affirmative action policy was in place and working, he said.

Critics of the policy have claimed that the programme is "a big and expensive joke". An employee, Mr Zimele Ndlela, is under "indefinite suspension" for circulating among colleagues an internal memorandum slating the programme.

Mr O'Donovan said that although affirmative action was a priority at Caltex, the rate of progress was determined by the company's needs.

Chairman

● The media liaison officer at British Petroleum, Mr Keith Bryer, said it was proof of BP's commitment to affirmative action that Mr Frederik Phaswana was to become its first South African chairman and chief executive from December 1.

Mr Phaswana had been with the company for more than 30 years, he said.

● Affirmative action is being implemented in the public sector, but blacks are still being paid less than their white, coloured and Indian counterparts, according to a recent survey by Central Statistical Services, Sapa reports.

The survey found a ratio of 11 black workers to every white worker in provincial administrations. In March this year, Indians in national and provincial departments were earning an average salary of R3 871 a month, whites were earning R3 818, coloureds R2 627 and blacks R2 415.

Of the 1 885 443 public sector workers (including Transnet, the SA Post Office and Telkom), 52% are black and 22,5% are white.

Energy fund awaiting CSIR report on Iranian deal

BD 24/10/95

(183)

Mungo Soggot

THE Central Energy Fund had still to approve the controversial deal with Iran to store and trade oil at Saldanha Bay, energy fund GM Kobus van Zyl said yesterday. He said the board had deferred its decision until the Council for Scientific and Industrial Research finished its study into the environmental impact of the project which would put 15-million barrels of Iranian oil in the tanks.

Negotiators were just waiting for the environmental study's completion, and the deal — which could net SA R50m a year — would go ahead next year.

He also dismissed reports last week that the deal had floundered because of a clash over key trading and pricing terms.

SA had pushed hard for a good deal and was "in general" happy with what had been agreed. "Making a deal with the Iranians is not a Christmas picnic," Van Zyl said.

"Rumours start easily in London"

But yesterday sources again said a dispute over the terms had derailed the talks. Energy fund sources said that both sides appeared to have chosen to emphasise that the environmental hitch was the problem, rather than the Iranians' refusal to give SA an adequate slice of the trading profit.

Van Zyl said he presented the final deal to the board at the end of September, two months after saying the deal had been struck.

Plan ignores Nedlac proposals

(183)

BD 24/10/95

Govt move to slash Sasol hand-out

Mungo Sogot

THE finance department had proposed chopping R500m off government support to fuel group Sasol next year, halving the group's annual hand-out, oil industry sources said yesterday.

Neither the department nor its mineral and energy affairs counterpart would comment yesterday, but government sources said the proposal was tabled by Finance Minister Chris Liebenberg at a budget meeting last week.

Under the plan, motorists would continue paying into the fund which has fed Sasol for years. But half Sasol's normal boon would go into government's coffers instead. The switch would be made in January.

The plan — described by sources as definitely on the cards — would ride roughshod over National Economic, Development and Labour Council (Nedlac) proposals to gradually phase down Sasol's subsidy over four years.

Two other sources said Liebenberg had his eye on R800m of Sasol's annual subsidy — a figure unconfirmed by government sources. "The finance department seems to think that its tax-raising needs are greater than Sasol's needs," one source said, "and has proposed expropriating at least R800m from the money that goes to Sasol."

Sasol said it had heard nothing about Liebenberg's plan and would be

"surprised" if it went ahead, given Nedlac's long-running efforts.

The move could nevertheless be a victory for the crude oil industry, which has been campaigning for an end to the subsidies.

The SA Petroleum Industry Association has said Sasol does not require a subsidy at all at current oil prices. Sasol's attributable earnings jumped 24,2% to R1,9bn for the year to June, on sales of R11,9bn, boosted by its lucrative chemicals business.

Government is to make an announcement on Sasol's support later this year as the tariff protection agreement expires in December. Sasol is given the money from the equalisation fund, which raises the cash from the extra 9c/l motorists pay for fuel. One-third of the fund, about R500m, goes to synthetic fuel producer Mossgas.

But a government source said the finance department had its eye only on the money which goes to Sasol.

Sasol communications manager Alfonso Niemand said Sasol was unaware of the proposal. "We would find such a decision surprising in view of the fact that government, business and labour in the liquid fuels task force all supported continued tariff protection for the synthetic fuels industry."

"Our understanding is that their

Continued on Page 2

Sasol

Continued from Page 1

recommendation was supported by Nedlac's trade and industry chamber. We understand government is finalising a proposal to the Cabinet."

Mineral and energy affairs minister Pik Botha declined to comment.

Botha has said before Sasol's support must be wound down, but a government source said halving the support in one stroke was not Botha's idea.

A finance spokesman said it could not comment on a matter related to another department's budget.

The move would represent a remarkable twist in the efforts to re-

structure the petrochemicals industry.

Sasol's rivals walked out of the Nedlac task force earlier this year after the phase-down report by Arthur Andersen was tabled. They alleged Sasol had influenced the report's findings.

Sasol, meanwhile, has demanded the four-year phase-down be doubled to put it on a fairer footing with the tariff reduction plans facing other industries. It and Arthur Andersen claim the support is justified, given that it saves SA billions of rands a year in crude oil imports.

The issue of government support for Sasol is also expected to figure in discussions on the energy White Paper government is due to draft next year. The paper is also expected to deal with deregulating the industry.

RACE STATISTICS 'MISLEADING'

Caltex Oil 'employs blacks at low levels'

CT. 25/10/95 (183)
 THE DISPUTE over affirmative action at Caltex continued yesterday, with claims that black employees have little room for advancement. **LINDIZ VAN ZILLA** reports.

THERE was no possibility of "upward mobility" for black employees at Caltex Oil, most of whom were employed at "very low entry levels like truck drivers and desk clerks," said chairman of the Caltex Black Employees Forum Mr Luvuyo Mabombo.

He was commenting on the controversy over Caltex's affirmative action programme and its claim that of 94 new employees hired this year, 64 were black.

The company has rejected criticism that it is unfair in implementing its programme.

Mr Mabombo said the statistics

released on the implementation of Caltex's affirmative action programme were misleading. He accused the company of employing black people only for the sake of rationalising levels within the company.

Caltex, however, released further statistics yesterday to support its claims.

The statistics show comparative figures for staff ratios in 1990 and 1995. In 1990, 49% of employees were white, 24% black, 23% coloured and 4% Asian. By 1995, the breakdown has changed to: 39% white, 31% black, 25%

coloured and 4% Asian

Media manager for Caltex in Cape Town Mr Terry O' Donovan said these figures showed the positive implementation of Caltex's affirmative action policy, which required that preference be given to African applicants.

He said the large drop in the number of white employees between 1990 and 1995 was due to normal attrition, with employees being offered retirement packages and also retiring voluntarily.

He also said that nationally 32% of staff in supervisory to senior management level positions were not white.

He was not available last night to comment on allegations that Caltex recruited black people at low entry levels.

Sasol share price hit by subsidy talk

(183)

Mungo Soggot

IBD 25/10/95

SASOL's share price yesterday shed R1 or 3% on the JSE as talk that the finance department could choose to lop R500m off its subsidy ruffled confidence in the unit.

It closed at R31 from the previous day's R32, down from the year's high of R37 on May 15.

Government sources said on Monday the finance department had its eye on R500m of Sasol's R1bn-a-year support.

If the proposal came through it would trample the National Economic Development and Labour Council (Nedlac) decision to implement a gradual phase-out of protection which would see a cut in protection next year to about R850m.

Sasol communications manager Alfonso Niemand said the fact that there had been no official comment by any of the government departments indicated the information was speculative.

Analysts said that although the news had shed R1 off the share price, there was strong demand for the share at the lower levels.

The share price had already discounted the possibility of Sasol's tariff protection being removed completely.

"Even though the share has already discounted for a complete removal of Sasol's protection, it still took a knock."

However, he said Sasol would still be able to chalk up an in-

crease in earnings

He predicted earnings a share for the next financial year of 330c a share if Liebenberg's plan came in, and 385c if it didn't. In the year to June earnings were pegged at 323c a share.

He was assuming that Liebenberg's plan would affect only the second half of Sasol's financial year, as the current level of protection was in place until Sasol's agreement with government expired in January. Then Sasol would get R500m in the six months to December and nothing in the second half.

"This would show Sasol's capacity to cope with adversity." It would post earnings growth despite the cut in protection, the levelling off of chemical prices and low refining margins.

Another analyst said Sasol would do well to ditch its tariff protection, which coloured its image and fuelled resentment. "It is such a well run company. What does it need it for?"

Meanwhile, Nedlac said it could not respond to the possible move as there was nothing to react to but Press reports. It had not been contacted by government.

Nedlac's liquid fuels task force based its decision on a report by Arthur Andersen into Sasol's subsidies. The report recommended a five-year phase-down period.

Government is expected to make a final decision on Sasol's next round of protection by the end of the year.

Sales growth boosts drug group's profit

(183) / Mar 25/10/95

■ BY CHARLOTTE MATHEWS

Growth in sales, a lower effective tax rate, control of expenses and productivity gains lifted attributable profit for Adcock-Ingram, a pharmaceutical group, by 17 percent to R132,3 million in the year to September compared with last year.

Group turnover rose 16 percent to R1,2 billion on which margins eased to 16,2 percent from 16,7 percent.

Don Bodley, the group chief executive, said sales growth included a strong performance from the pharmaceuticals division, market share gains in self-medication and consumer brands, sales from Vesta Medicines and the consolidation of Vesta and Datlabs of Zimbabwe.

Small increases in interest and income from investments were supplemented by a 34 percent tax rate against a previous 37 percent.

An extraordinary profit of R10,5 million was made, against last year's extraordinary loss of R42,7 million, on sales of properties and the partial disposal of a non-core business, the directors said.

The dividend was raised to 36,0c (31,0c) a share on a 16 percent improvement in earnings to 95,6c.

The critical care division grew turnover by 5 percent and maintained its dominant market share in intravenous solutions, renal and blood markets.

The pharmaceuticals division increased turnover on a like-for-like basis by 16,3 percent, faster than the market growth of 11 percent.

The launch of six new branded products boosted the division's performance. Consumer and self-medication products showed 9 percent growth.

Reorganised marketing and sales teams, and new products should accelerate sales growth in the new financial year, Bodley said.

The wholesale division boosted turnover by 21 percent and increased its market share, at the expense of margins.

23/10/95

Caltex in bid to resolve dispute

CALTEX Oil will hold discussions with its Black Employees Forum in an attempt to resolve the crisis surrounding the company's affirmative action programme, media manager Mr Terry O'Donovan, said yesterday. (183) (2)

Caltex have been embroiled in an ongoing controversy over the implementation of its affirmative action programme.

The programme has been criticised by the forum who claim it has failed to properly address racial imbalances. — Staff Reporter

CT 26/10/95

Sales growth boosts drug group's profit

(183) CT (SR) 26/10/95

BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

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Properties

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Consumer and self-medication products showed 9 percent growth. Reorganised marketing and sales teams, and new products, should accelerate sales growth in the new financial year, Bodley said.

The wholesale division boosted turnover by 21 percent and increased its market share, but at the expense of margins.

Group exports to Africa and beyond rose 33 percent. Turnover from Datlabs of Zimbabwe was R39,7 million, 16,4 percent higher than last year.

Sastech staff get head start in small business

By CHARLOTTE MATHEWS

Johannesburg — Sastech, the research and development, engineering and project services division of Sasol, has encouraged approximately 150 employees to undertake management buyouts of various divisions and set up small businesses serving Sasol and local industry.

To give the companies a sound start and ensure the continuity of work already in progress, Sastech has a two-year preferred supplier agreement with them.

Nico Doman, the managing director of Sastech Engineering Services, said Sastech was funding the companies to make them viable from day one.

It was also providing them with infrastructure and facilities.

Because the companies were in the engineering sector, their main asset was the skill of their staff, he said.

Doman said this was not a personnel reduction exercise, but intended to allow Sastech to focus on more value-added ventures in the future, which meant sourcing out the detailed design of the smaller capital projects.

Five companies were created earlier this month.

Secunda Inspection Authority, which consists of 24 quality assurance staff; Megchem, a detail mechanical and piping engineering and draughting company with

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110 employees of whom 65 are permanent; Lategan Bouwer, a civil engineering company with 16 employees; Proconics, a detail control systems design company with 20 staff members; and Advanced Electrical Engineering, a detail electrical design company with 28 staff members.

One more company is planned in the field of metallurgical and corrosion sciences.

It should begin operating independently early next year.

John Aspinall, the director of Megchem, said the company belonged to about 45 employees, each with between 8 and 1 percent of the company. Six directors held the majority of the company.

One of the benefits of the arrangement with Sastech was that it enabled the companies to do business with outside customers.

"Local industries in the Eastern Transvaal have been going to Johannesburg or Pretoria to get the same services that we can provide."

"Now we have the capability and probably the best-trained people available in the area."

Megchem spent its first month stabilising the company and will start to market itself early next month. Already three or four companies have requested its services.

"I am very positive about this move," he said. "It is probably one of the best things that has happened at Sasol."

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to participate in the growth of the company. It should provide a good return on investment.

SASOL (183) FM 27/10/95
Over a barrel

Government appears poised to make a big cut in financial assistance to Sasol. Equalisation Fund figures in October indicate Sasol received R87m in various forms of State assistance and Moss gas took

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BUSINESS

R36,3m At an annualised rate, this means Sasol is getting more than R1bn and Moss gas about R400m

After intense public debate sparked by publication of the Arthur Andersen report, there seems to be consensus that Sasol's assistance should be phased out

The consensus ends there Sasol is pleading for a long phase-out period to enable it to re-equip synfuel plants with advanced equipment making them more efficient and cheaper to run. The oil industry argues — and this is evident from the public corporation's recent financial figures — that Sasol would be profitable at the current oil price and dollar/rand rate without any State aid

Now it seems Finance Minister Chris Liebenberg wants to halve the subsidy right away

An early government decision would end uncertainty. And, in the interests of open and accurate public accounting, all future aid should be paid out of the General Revenue Fund, not smuggled in through mechanisms such as the Equalisation Fund

Moss gas, however, is a struggling concern threatened by closure in a few years when gas reserves run out. Its costs amount to sunk capital, which should be written off and the subsidy element saved — unless its management can come up with another use such as making methanol

There has been little debate over whether money saved on State assistance for synfuel should be put into motorists' pockets by cutting petrol and diesel prices or whether the savings should accrue to the fiscus to bring tax relief for the burdened middle income group or help hard-pressed public servants such as policemen and nurses

Considering the merits of maintaining liquid fuel as a source of revenue — ease and cheapness of collection and the non-progressive nature — government should hang on to the money saved ■

SENTRACHEM (183)
FM 27/10/95

Refreshing pause

Sentrachem's "unauthorised loan" of about US\$15m to shipping company Adriatic Tankers should prove more of an embarrassment than a financial setback this year

It is believed there is no connection between the unauthorised granting of credit

facilities to the shipping company — which led to the suspension of Sentrachem International CE William Bergh — and the fact that the son of former MD Johan van der Walt works for Adriatic Tankers, though Sentrachem will not comment at all on the issue

MD John Job says it was deemed prudent to make a provision against the amount because "there is some doubt we will get it all back" About 10% of the loan has been recovered

Full provision for the remainder has been offset against profit raised during the financial year on the sale of parts of Sentrachem's Mega Plastics business and treated as an extraordinary item

If there is any positive spin-off from the incident, it's that Sentrachem is overhauling



Sentrachem's Job. fundamental drivers of demand are still in place

its financial controls And plainly, a more beady eye from head office will be trained on offshore financial transactions in the future

Continuing strong growth in volumes over the second half fuelled the 34% increase in turnover, the healthiest gain recorded by Sentrachem in at least 10 years, and the first time an increase in turnover has been in double digits since 1989

Job says firming chemical prices continued to mature into the second half, offset only by the inability to pass on all raw material price increases

This, with the lower margins realised from exports (up 62% to R750m, about 20% of turnover), kept margins at the previous period's 8.9%

World commodity prices will continue to strongly influence Sentrachem's performance this year, despite the evolving business mix and acquisition of US-based Hampshire Chemical Corp, both of which help to remove cyclicality from the group

Recent softening of some commodity prices, including thermoplastics and rubber, may be cause for concern

But Job says there is consensus that the fundamental drivers of demand are still in place and that growth should resume in the second and third quarters of next year "In a sense, the downward adjustment we are seeing now is a blessing Without it, there could have been a rush into increasing capacity, but it is too soon to start building new plants

"After this correction, demand should again tighten next year, leading to more sustainable growth," he says

Largest contributor NCP boosted group results, following severe rationalisation which included the closure of some of the plants on its Germiston site Joint venture Safripol benefited from rising world polymer prices, while Karbochem, though meeting budget, saw its contribution drop as im-

port tariffs were reduced

Hampshire will kick in this year It is expected to add an estimated R800m to turnover More importantly, it gives Sentrachem the global spread to reach new markets from its four manufacturing bases in the US and one in the UK

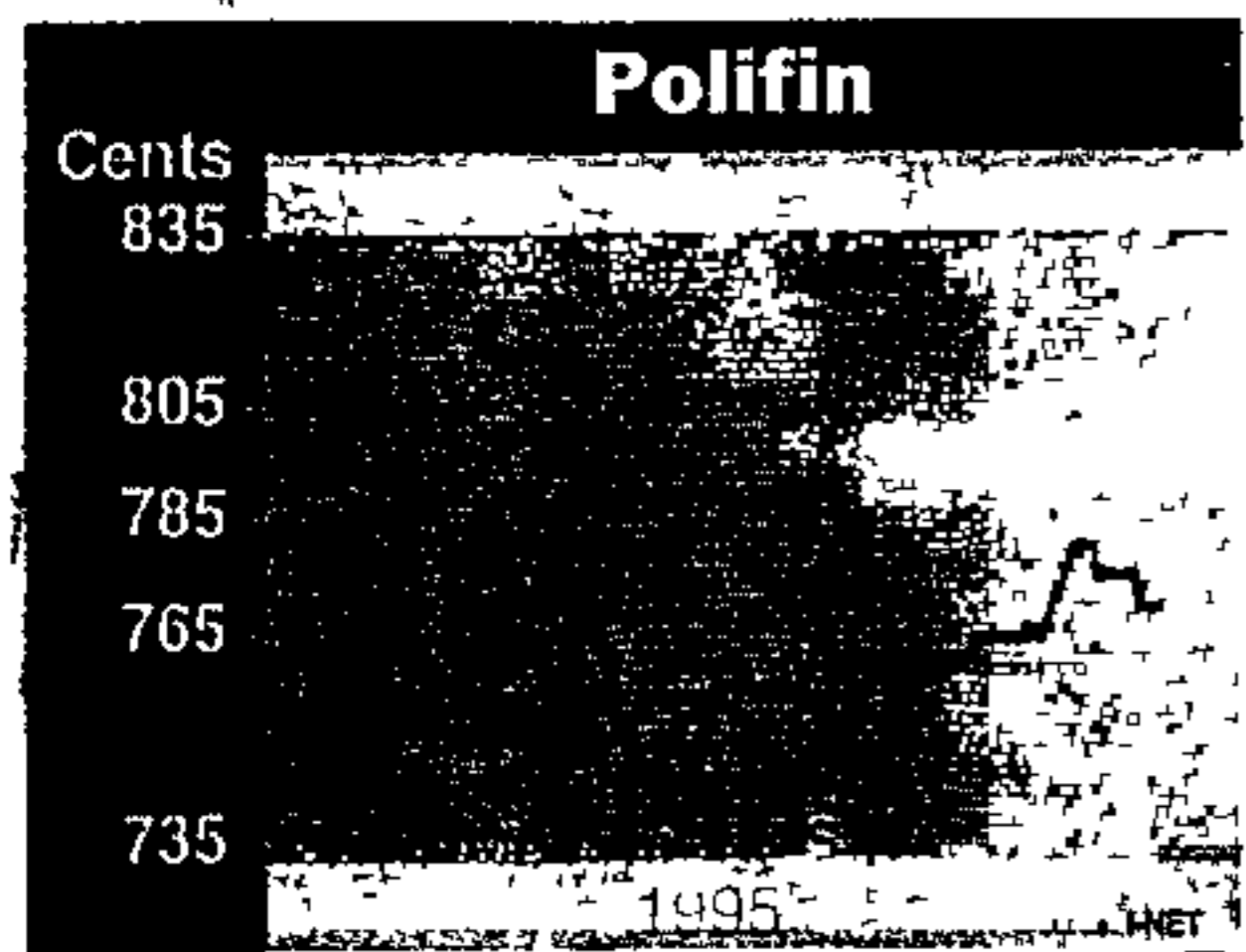
Sentrachem is unlikely to show earnings growth below 30% this year That indicates value in the share on a p/e ratio of 12, below the sector average and those of competitors such as Hoechst and AECI

Shaun Harris

POLIFIN (183) Km 27/10/95
Strong beginnings

Rising world commodity prices and burgeoning demand produced a bonanza for Polifin in 1995.

Shortages on world markets allowed the company to raise raw material prices, in particular polyethylene, by up to 45%. The annual report makes colourful reading, underlining the modern outlook of this relative newcomer to the chemicals, oils and plastics board.



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COMPANIES

Activities: Chemicals and plastics group which manufactures and supplies monomers polymers, mining reagents and other chemicals

Control: AECI 40%, Sasol 40%

Chairman: J A Stegmann CEO P V Cox

Capital structure: 543m ords Market capitalisation R4,18bn

Share market: Price 770c Yields 8,4% on earnings, p e ratio, 11,8 12-month high, 850c, low, 735c Trading volume last quarter, 13 8m shares

Year to June 25	'95
ST debt (Rm)	53
LT debt (Rm)	374
Debt equity ratio	0,36
Shareholders' interest	0,45
Int & leasing cover	4,9
Return on cap (%)	31
Turnover (Rm)	2 994
Pre-int profit (Rm)	730
Pre-int margin (%)	24
Earnings (c)	65
Dividends (c)	none
Tangible NAV	192

The income statement gives figures for the six months to June 1994 and the full year to June 1995. Polifin's first full-year results compare favourably with the pro forma results supplied for its July listing. Turnover rose to R2,99bn, 26% up on the pro forma R2,38bn for 1994, attributable profit rose by 59% to R354m.

Operating profit grew 87% to R730m, exceeding management's forecast of R683m by 7%. EPS of 65c outdid the forecast of 60c. CEO Pieter Cox says capital expenditure for the year was R410m, funded out of a cash flow of R587m. Cash stood at R49m at year-end. Debt, now rather high, is

expected to fall rapidly in 1996.

The group is a joint venture between AECI and Sasol. Its product mix was designed to counter the cyclical nature of the chemical business. The combination of raw material manufacturing and downstream finishing of plastics and other products is complementary. It has a competitive raw material base and derives economies of scale through size.

Controversy about the price of monomer feedstocks bought from Sasol was laid to rest by the Arthur Andersen study of synthetic fuel prices, which concluded that Polifin paid "arm's-length prices" for its raw materials.

Among the beneficiaries of the capex is the Midland PVC plant, which will gain a hi-tech vinyl chloride monomer plant. A R150m cost-saving from restructuring should appear in the 1997 figures, which could offset the expected slowdown. The R20m sodium cyanide plant at Secunda in Mpumalanga, scheduled to go on line at year-end, will improve quality and increase product output.

Exports totalled R300m in 1995. Though export markets are being investigated carefully, Cox insists that first loyalty is to domestic customers. The domestic market for polymers is expected to remain strong, says Cox, and management is exploring possibilities for boosting monomer and polymer production capacity.

At 770c, the share has slipped from its debut price of 825c but appears to be headed up again. Analysts foresee the current cycle sustaining momentum until about 1997, though probably not at the heady levels seen earlier this year. Nonetheless, investors can expect a tidy profit.

Margaret Anne Halse



Polifin's Cox . domestic market for polymers should remain strong

SmithKline buys SA company

(183) BD 27/10/95

PHARMACEUTICALS group SmithKline Beecham had signed agreements to buy SA health care business Total Support Management, the group said in London yesterday.

SmithKline said the deal — for an undisclosed sum — would give it an integrated managed pharmacy programme, allowing it to develop short- and long-term managed care strategies.

Total Support Management's operations included Home Medication Services, a mail order pharmacy company, and pharmacy benefit manager Interpharm. SmithKline (SA) CE Gunther Faber said further details would be available next week.

Extra petrol tax is possible

(183) ~~183~~ BO 27/10/95
Mungo Soggot

GOVERNMENT was considering slapping extra tax on the petrol price to raise cash and curb demand, trade and industry special adviser Paul Jourdan said yesterday.

Industry sources said there was talk of an extra R1, which would bump up the current price of petrol to about R3. However, Jourdan dismissed this figure as "gossip".

"There are discussions at the moment, but there are no figures yet. It is early days."

Under the scheme the diesel price would be left alone and government would push for greater use of diesel in taxis and industry in general.

Jourdan said SA's petrol tax was one of the lowest in the world — only about half the level of the average petrol tax in Europe.

The key was to encourage a move to diesel engines, particularly in the taxi industry. A stumbling block was that diesel engines were more expensive.

The idea would be to have diesel as the business fuel and petrol for luxury.

Jourdan said another possibility was to have special pumps with cheaper petrol for the taxi industry.

This would allow for a substantial hike in the petrol price without angering the powerful taxi lobby.

Industry talk is that Jourdan is tipped to take over as director-general of the minerals and energy affairs de-

partment after Piet Hugo steps down next month. He declined to comment.

The possibility of playing with the differential between the two fuels features in government's Green Paper on the industry, which is due to go white early next year.

Atlantis Diesel Engines (ADE) has long pushed for greater use of diesel engines, and has now been joined by car manufacturer Samcor.

The SA Petroleum Industry Association said it favoured the idea of a macroeconomic investigation into the proper use of diesel.

One analyst said the move would help soak up SA's considerable surplus of diesel. This was currently exported to neighbouring countries at cut-price rates, the analyst said.

The scheme would help curb demand for petrol.

In the nine months to September, petrol sales rose 5,1% and diesel 7,1% over the same period last year. SA was rapidly approaching a situation where it would run out of refining capacity, analysts said.

Transnet economist Mike Schussler said he thought the petrol tax would be increased 5c to 10c in the near future — nothing near R1. "That would cause a middle class tax revolt. It is an easy source of revenue, though."

He said the move would boost government revenue about R10bn, but would add three to four percentage points to the inflation rate.

WILLEM STEENKAMP
Staff Reporter

OIL will begin to flow next March from South Africa's first oilfield, near Stilbaai off the Cape south coast — and Cape Town is set to earn millions of rands from the development.

The Soekor Board gave the go ahead for the project several months ago and the government has now also approved the development.

A floating production platform, which is to be used to tap oil from the field, is to be modified and upgraded in Cape Town

South Africa, and in particular Cape Town, is expected to earn about R70 million from the sale of goods and services for the project, while about R30 million a year will be spent locally on operations over the next three to five years

The oilfield is expected to produce about 20 000 barrels of high-quality crude a day. Several other smaller oilfields in the vicinity may also be brought on line to extend the lifespan of the project by several years

Saturday Argus broke the story about South Africa's oil find more than a year ago and published pictures of the first high-quality crude recovered from the E-BT field in the Bredasdorp Basin.

A semi-submersible production platform which is to be upgraded and modified in Cape Town, will tap into the oilfield and remove solids, gas and water from the crude.

Shuttle tankers will tie up to an offshore loading bouy and take in crude from the floating platform.

This crude will then be transported to South Africa's harbour cities, where it will be sold to be refined by oil companies. The daily production from the oil field will provide about six percent of the local consumption of crude oil.

It is estimated that more than 13 million barrels of oil will be recovered from the field in the first three years of operation. This will yield more than R700 million in gross sales

The state will earn about R129 million in taxes over the first three-year period, and save about R428 million in foreign exchange.

The estimated capital cost for the development and exploitation of the oil field is about R250 million. The field will be exploited through a joint venture between Soekor E and P — a wholly owned subsidiary of Soekor — and Engen Bredasdorp.

The oilfield is a first for South Africa, which has long searched for oil. At present, natural gas is exploited by Mossgas off Mossel Bay while Sasol makes oil from coal. The new oilfield is not in any way linked to Mossgas.

Oceaneering Production Systems, an American company, has been chosen to develop the oilfield after a bidding and evaluation process. Soekor and Engen will finance the project by way of foreign loans and no government guarantee is required.

Minister of Mineral and Energy Affairs Pik Botha said exploitation of the E-BT oil field presented the first opportunity for South Africa to benefit financially from commercial oil production, after years of exploration by Soekor.

■ The ill-fated Soekor oil rig Omega, in which two people were killed and several injured after an explosion off Mossel Bay in August, has been leased to a French company for exploration work off the West Coast of Africa

The rig is currently undergoing repairs in Cape Town harbour.

■ Oil will flow from South Africa's first viable oil field off the southern Cape coast as early as March next year.

WV CAPE TOWN FIRST BOOM

ARG 28/10/95

(183)

Adcock Ingram in search of assets worthy of R117m

(183) ST (M) 29/10/95

By JULIE WALKER

ADCOCK Ingram, the health care group involved in pharmaceuticals and allied businesses, has a cash pile of R117-million and is seeking an acquisition

In the year to September 1995 the group generated a strong positive cash flow in spite of greater calls for working capital after a 16% increase in sales. Chief executive Don Bodley wants to buy something. "Our return on assets falls when we have significant cash balances earning only interest. We are actively looking for an acquisition that will add value."

There are few obvious targets. Most multinationals who disinvested earlier with a buy-back clause are now returning. Some need money but there are fewer opportunities than there were. Appropriate brands could be bought if not a company. An offshore acquisition — "something like Adcock Ingram itself" is a possibility but not a generics company.

Would Adcock Ingram's controlling shareholder CG Smith be tempted into merging Adcock Ingram with perhaps a foreign company looking to get into South Africa?

"More likely we would enter joint ventures with a company, such as the one with Eli Lilly," says Mr Bodley. "The multinationals are more apt to open their own operations."

Adcock Ingram reported a 16% rise in earnings a share to 95,6c. Turnover grew by the same percentage to R1,16-billion. Mr Bodley says medicine price rises were held below inflation and the turnover rise represents real growth. The highly competitive trading climate led to a lower operating margin than last year, but higher interest received, more income from investments and a lower tax rate led to a 17% rise in attributable income of R132,3-million.

Adcock Ingram expects exports to move from 5% to 10% of total turnover in the foreseeable future.

"So far our exports have been focused on sub-Saharan Africa but we have now established ourselves in several eastern European countries where every company is starting from square one and we are not at a 20-year disadvantage in establishing our brands."

Mr Bodley expects another increase in real earnings in the year to September 1996. "We are well placed to meet the changing health care environment and expect good growth from branded pharmaceuticals, self-medication and consumer products."

It's R800m or bust, Pik tells Cabinet in ⁽¹⁸³⁾ Mossgas plea

ST (BT) 29/10/95

By CIARAN RYAN

WITH gas reserves due to run out in about 12 months, Mossgas is approaching the government for an R800-million capital injection to extend the life of its gas fields by five years

This will be on top of the R11,3-billion already sunk into the project and more than R1-million a day in subsidies

Extending the life of Mossgas has the support of Mineral and Energy Affairs Minister Pik Botha, who said on Friday that Mossgas would face closure "if we do nothing"

Mothballing costs of about R1,3-billion or net abandonment costs of R625-million would be incurred

"If we invest further in the secondary development of the FA satellite field we can then continue production until 2001 but at the end of that period mothballing or abandonment will still be with us"

Mr Botha says a report on the future of Mossgas has been completed and a proposal to Cabinet is in preparation

One of the options under consideration is to invite negotiated bids from interested parties to buy Mossgas

"Negotiated bids means that it will not be a simple knock-down sale but a carefully structured process during which the relative merits of the various bids will be evaluated," Mr Botha says

"The question of extending the life of Mossgas at a certain capital investment cost is a separate, albeit related, issue. If we proceed the funding would come from the Central Energy Fund"

Mr Botha says no decision has yet been made on further investments

Any decision made is likely to arouse heated debate because of past mistakes in forecasting the life of the gas field

"By continuing synthetic fuel production for more than five years, the government will merely be defending past mistakes," says an oil industry source

Privatising all or part of the plant is one of the options being considered. A number of foreign investors, including the Chinese Petroleum Company, are investigating the possibility of establishing a large-scale petrochemicals facility at Mossgas to produce a range of downstream products. This would ensure Mossgas has a future once off-shore gas is depleted

Suppliers have already been asked to quote for the supply of equipment to tap four nearby gas wells and install a compressor to pump gas at pressure to the on-shore synthetic fuels plant

A Mossgas spokesman says a cheaper alternative is to invest about R400-million in tapping into gas wells adjoining the FA gas field. This would extend the life of the gas reserves by two years at current rates of production

The preferred option, however, is to invest nearly R800-million to extend the life of the gas field by five years, yielding a 20% return on investment without subsidies — assuming the initial capital of R11,3-billion is written off and operating expenses are shaved by about a fifth

Some Mossgas staff have already been warned of possible retrenchments. Extending the life of the gas fields for 10 years would require an additional R500-million to tap the nearby EM gas field

"Even though this is a commercially acceptable return, it will be very difficult to interest private investors because of its short life," says a Mossgas spokesman

This is a risky alternative, according to an oil industry source, because it involves speculation over the possible future deregulation of the oil industry and changes in the price regime for oil, and it assumes the oil companies will continue to honour their agreement to uplift Mossgas fuel as a quid pro quo for Mossgas not competing in their markets

Mossgas says it has achieved operating cost reductions of more than R100-million a year through improved efficiencies and recently completed a re-engineering exercise aimed at further improvements. Mossgas saves the country more than R600-million a year in foreign exchange.

"In the meantime, why kill the cash flow cow," says Harry Hill, public affairs manager for Mossgas.

"It ignores the subsidy of about R350-million a year," replies an oil industry source.

Mossgas says any additional expenditure will come out of operating surpluses and not from taxpayers



GAS APPEAL: Energy Affairs Minister Pik Botha, who says Mossgas faces closure 'if we do nothing'

Mossgas to shed 10% of workforce

Edward West

(183) 30 30/10/95

CAPE TOWN — Mossgas is to cut its 1 300-strong workforce by 10% early next year as part of restructuring to reduce operating costs

The synthetic fuel producer said at the weekend that a "business re-engineering" programme under way also included boosting plant efficiencies. Another 300 jobs could go over the next three years, depending on the outcome of feasibility studies to determine the parastatal's future

Spokesman Harry Hill said 80 permanent staff members and 50 semi-permanent workers would go in the

first quarter of next year.

The operation had cut operating costs to R616m for the year to March, against R628m the previous year, which helped lift its surplus to R114m (R58,2m)

Government has to either scrap Mossgas when reserves run out in two years, or pump in at least a further R700m to get access to new gas. Mossgas has asked government for an R800m capital injection to extend its life by five years. The scheme has already cost the taxpayer about R11bn.

A final decision on Mossgas's future will be taken by the Cabinet. Privatisation is one option being considered

the treasury department," he said. See Page 21

PHOTO: JOHN WOODROOF

on a complete re-examination of how Guardbank ran its business."

Energy minister denies report

(183) STAFF WRITER

Johannesburg — Minister of Mineral and Energy Affairs Pik Botha categorically denied he supported a proposal for a five-year extension of Mossgas' life with a capital injection of R800 million, as alleged by a weekend newspaper.

He said the newspaper's editorial on the subject was "equally fallacious", based as it was on the newspaper's own "inaccurate reporting", although he had provided the newspaper with a clear written response

CT (BR) 30/10/95

Midas chief to stand down

By CHARLOTTE MATHEWS

(183) CT (BR) 30/10/95

Johannesburg — Sarel de Vos, the chief executive of motor spares group Midas, has decided to step down from his position at the end of November "owing to personal circumstances", McCarthy Retail chief executive Terry Rosenberg said in an announcement last Friday.

Midas is 80 percent held by McCarthy Retail

Asked to elaborate, McCarthy Retail chairman Brian McCarthy said De Vos had made it clear when he was appointed that he would

not stay on until retirement. In addition, his wife had recently been unwell.

Rosenberg said De Vos had made a major contribution to the group, particularly in the past three years when he had led the company from a loss to a healthy profit.

"We remain excited by the opportunities and future prospects of Midas," he said.

De Vos will remain chairman of the National Automobile Parts Association and the Midas Parts Centre chain.

McCarthy said no successor to De Vos had been chosen.

Polifin in R300m upgrade

(183)

■ BY FRANCOISE BOTHA

Star 31/10/95

Polifin announced yesterday that it is set to spend R300 million on upgrading and expanding the production of polypropylene at its Secunda and Sasolburg plants

The two-phase upgrade at the Secunda plant will see the introduction of a later-generation BASF catalyst to the existing polypropylene plant and a joint venture with Sasol to increase production

Pieter Cox, the chief executive, said yesterday that the first phase would also result in an upgraded purification plant which would be able to handle larger volumes of recycled gas.

"Together these developments (in the first phase) will boost Polifin's polypropylene production capacity by 11 000 tons a year to 156 000 tons, and improve the quality of the end products," he said.

The R75 million first phase is expected to start during early 1997.

The second phase, joint venture with Sasol, to be shared on the basis of the polypropylene offtake by each company, will further increase production from 156 000 tons to 220 000 tons

Restructured Engen has difficult year ⁽¹⁸³⁾

Nov 31/10/95

■ BY LLEWELLYN JONES

Fuel producer Engen's results for the year to August reflect the magnitude of the difficulties experienced by the company this year.

While turnover rose 6,6% to R9-billion, net income plummeted 72% to R116-million (R416-million).

This was on the back of restructuring costs of R79-million, a R90-million increase in financing costs, depressed refining margins and post commissioning difficulties at the Durban refinery.

Engen's refining margins fell to an eight-year low of \$4,18 a barrel compared with last year's \$4,85. Rob Angel, the managing director, said a \$1 a barrel decline in the refining margin represented nearly R100-million to Engen and gave a good indication of how the \$0,67 decline had hurt Engen.

Angel said the protracted deliberations about the future of the oil industry, and the application of old rules in a haphazard and ad hoc manner had also had an effect on the profits of all industry participants, and effectively cost Engen some R150 million.

Another feature of the results was

the 31% decline in recurring profit before exceptional items and inventory effect to R367-million.

Cash earnings a share nearly halved to 182c (353c) and accounting earnings a share fell to 73c (267c). A dividend of 60c (154c) was declared.

Angel said he was "quietly confident that the strong medicine which had been administered could lead to a significant increase in net income over the next two years."

But he cautioned that while all the fundamentals were in place, the company had to be realistic and recognise that it was at a very complicated stage of the evolution of both the oil industry and the emerging South African economy.

A feature of the year under review had been the completion of the Project Discovery transformation programme, which will generate ongoing direct remuneration saving of about R55-million, and which has repositioned Engen to respond to the changed competitive environment, said Angel.

Meanwhile Reuter reports that Engen said it would raise between R80-million and R100-million from local and foreign investors when it

hived off its upstream activities into a separate listed company, planned for early next year.

Angel said at the release of results for the year ended August 31 that plans for the listing, announced earlier this year, were well advanced and should be implemented during the first quarter next year.

The separate listing, still subject to shareholder and regulatory approval, would coincide with a capital-raising exercise to raise R80-million to R100-million, with equal proportions coming from local and offshore investors, he said. This would take place by way of a private placing of new shares.

Engen is to retain about 60% of the equity in the new listed company.

Engen's upstream assets include an 8% holding in the Alba field in the North Sea, 10% of the Bukha field in Oman, 4% of the Nkossa field offshore of Congo and 20% of a potential development in the Bredasdorp Basin in South Africa.

The Alba and Bukha fields together made a maiden contribution to Engen's net income of some R23-million during the year to August 31 this year, Angel said.

Engen's profits fall 72 percent

□ CEO confident of turnaround ⁽¹⁸³⁾

ARG 31/10/95

Business Staff

ENGEN blamed unfavourable "external business conditions" for a 72 percent drop in profits to R116 million from R416 million for the year ended August

Engen declared a total dividend of 60c a share, compared with last year's dividend of 154c a share.

Engen attributed the results to a disappointing operating performance, the effective costs of piecemeal changes to the industry, and the cost of restructuring its staff levels

Sapa quoted Engen chief executive Rob Angel as saying he was "quietly confident" of a turnaround of the company's performance in the new year.

The restructuring cost Engen R79 million and saw the company complete a major transformation programme that cut its staff complement by 15 percent. This, according to Mr Angel, would "generate on-going direct remuneration savings of some R55 million a year"

Other factors that hurt the bottom line included increased financing costs of R90 million, and an eight-year low in refining margins and operational difficulties at Engen's Durban oil refinery, which was hit by several power failures

Mr Angel said that in the past 12 months production was interrupted on 17 occasions — a level that was "just not acceptable" in an advanced industrial sector

Production at the refinery had improved steadily in the past months and Mr Angel expected the company's new operational focus to contribute to a rise in its profitability

Performance was also affected by a six-week planned shut-down of the refinery in December last year

Refining margins in the Singapore region fell to eight-year lows owing to excess supply and had a direct impact on local margins.

Mr Angel said he was "quietly confident that the strong medicine administered could lead to a significant increase in net income over the next two years"

■ BOLAND Bank announced that attributable profits rose 44 percent from R14,4 million to R20,8 million during the six months ended September.

These are the bank's first interim results since the group was restructured.

Earnings an ordinary share on a fully-diluted basis rose by 24 percent and the interim dividend was increased by 18 percent from 28c to 33c.

Managing director Michel le Roux said rising interest rates throughout most of the period under review, coupled with an increase in the cash reserve requirements imposed by the Reserve Bank, caused margins to narrow.

However an improvement in the bad debts situation resulted in a decrease of 9,3 percent in the risk provisions.

Increased expenditure on systems and infrastructure to cater for an accelerated growth in chosen niche markets and the costs brought about by the large number of staff retiring owing to the income tax changes in respect of pension and provident funds coming into force on September 1, led to an increase of 26,2 percent in the group's operating expenses.

Mossgas needs no lifeline, says Pithey

(183)
Mungo Soggot

BD 31/10/95
MOSSGAS could survive without the state throwing it a R700m lifeline, the Central Energy Fund said yesterday.

Fund chairman Roy Pithey said the controversial project's survival — which hinged on it exploiting new gas reserves — could be achieved from Mossgas's operating surpluses.

Mossgas's current reserves run out in 1997 and the new gas fields will give it five more years. "Funding for this project will not be required from the government or the taxpayer."

Pithey said prolonging Mossgas's life would need private sector bridging finance. He declined to say how much, but said Mossgas could pay it back from its operating surpluses.

Cabinet is about to decide the fate of the fuel-from-gas Mossel Bay scheme, which has guzzled nearly R12bn in taxpayers' money. It will be shut down, get the go-ahead to tap the new fields or be privatised. Mineral and Energy Affairs Minister Pik Botha yesterday demed favouring giving Mossgas an R800m cash injection to save it from the grave.

SA firm to supply 50% of Cuba sugar sector's herbicides

~~THE~~ (183) ARG 1/11/95
HAVANA. — South African agro-chemicals firm Sanachem will increase its sales of herbicides to Cuba's sugar cane sector to \$17 million (R61 million) in value terms this year from \$11 million (R39 million) in 1994, its representative in Cuba said

Armando Fernandez, deputy general manager of Edme Company SA, which represents Sanachem on the island, said the growth in sales responded to an improvement in cane cultivation in Cuba ahead of the 1995/96 harvest, due to start in November.

"The consumption of herbicides is higher," Mr Fernandez told Reuters at the Havana International Trade Fair. He said Sanachem's sales to Cuba had also been boosted by foreign financing, estimated at more than \$100 million (R360 million) obtained by the Caribbean island this year to pay for essential sugar harvest inputs like fertilisers and herbicides

Mr Fernandez said cultiva-

tion techniques for the sugar cane had also improved as a result of a campaign by the Cuban government to boost sugar production after the disastrous 1994/95 sugar crop of 3,3 million tonnes, the lowest in more than 50 years

More cane was available for the harvest this year, Mr Fernandez said. He predicted an increase in sugar output in the 1995/96 harvest of "between half a million and one million tonnes" over past year.

Sanachem would supply 50 percent of the herbicide needs of the Cuban sugar sector this year, with the rest of the market business divided up between Britain's Zeneca, Germany's Bayer and Switzerland's Ciba-Geigy. Sanachem's deliveries under this year's agreement would be completed by February, Mr Fernandez said

Sanachem and Zeneca also had an agreement to provide joint technical assistance to the Cuban sugar sector. — Reuter.

SA chemicals firm to increase sales to Cuba by \$6m

HAVANA — SA agrochemicals firm Sanachem would increase its sales of herbicides to Cuba's sugar cane sector to \$17m in value terms this year from \$11m last year, its representative in Cuba said.

Armando Fernandez, deputy GM of EDME Company SA, which represents Sanachem on the island, said this week that the growth in sales responded to an improvement in sugar cane cultivation in Cuba ahead of the 1995/96 harvest, which is due to start in November this year.

"The consumption of herbicides is higher," Fernandez said at the Havana International Trade Fair.

He said Sanachem's sales to Cuba had also been boosted by foreign fi-

(183) BD 1/11/95
nancing, which was estimated at more than \$100m

The financing had been obtained by the Caribbean island this year to pay for essential sugar harvest inputs like fertilisers and herbicides

Fernandez said cultivation techniques with regard to the sugar cane industry had also improved. This was part of a campaign by the Cuban government to boost sugar production after the disastrous 1994/95 sugar crop of 3.3-million tons, the lowest in more than 50 years.

More sugar cane was available for the harvest this year, Fernandez said

Fernandez predicted an increase in sugar output in the 1995/96 harvest of "between half a million and 1-million

tons" over last year

Sanachem would supply 50% of the herbicide needs of the Cuban sugar sector this year, with the rest of the market business divided up between Britain's Zeneca, Germany's Bayer and Switzerland's Ciba-Geigy, Fernandez added

Sanachem's deliveries under this year's agreement would be completed by February.

Sanachem and Zeneca also had an agreement to provide joint technical assistance to the Cuban sugar sector. This consisted of an international expert to advise on sugar cane cultivation and a team of six local agronomists to help with growing sugar cane and other crops — Reuter

TEN years and R12bn later, it is difficult to pin down the mentality which gave former president PW Botha and his colleagues the idea of building Mossgas. However, thanks to the Central Economic Advisory Service, an economic think-tank linked to the finance department, such a retrospective psychoanalysis has been made rather easier.

The service has recently completed a socioeconomic report on the consequences of the project's closure — a report which will be quoted in government's proposal to Cabinet on Mossgas's future later this year. The options facing Cabinet are to let Mossgas's gas reserves run out in 1997, invest in the new gas fields or at least partially privatise it. The advisory service has nailed its colours firmly to the Mossgas mast.

"Should Mossgas be closed," the report notes, "it is expected that prostitution, divorce and suicide will increase. Child molestation and neglect will increase and the community will not be able to handle the burden of the support of additional unemployed people."

It continues, "It can, however, not be expected of government to ensure specific moral standards, but some of the moral issues should be taken into account when any decision about Mossgas is made."

The 80-page report is based on 64 interviews, which appear to be almost exclusively with whites, including members of the Mossel Bay shooting club, target shooting club, golf club and netball club.

The report finds that "the closure of Mossgas will not have a marked effect on the African community in Mossel Bay. The largest effect will be on the coloured and European communities. Europeans are, however, more mobile and will in all probability leave Mossel Bay to (seek) employment elsewhere."

According to service, 71% of Mossgas employees are "Europeans", 22,6% are "coloureds" and 4,8% are "Africans".

The report warns of a winding down of investment in Mossel Bay if Mossgas is closed, arguing that

Unique Mossgas report has great entertainment value

MUNGO SOGGOT

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shops like Pick 'n Pay would not be there were it not for Mossgas.

It also warns that relieving the SA taxpayer of the Mossgas burden would cut regional church attendance. An advisory service survey showed that on average 30% of all church members were Mossgas employees. "It must be noted (these) employees are skilled and, therefore, play a leading role in the church. If these people should lose their jobs and leave Mossel Bay, the financial position of the church will deteriorate."

But the sports clubs would probably survive the trauma, because although Mossgas had played a major role in the facilities' creation, it made no financial contribution.

The report admits to being one-sided, in that it is based on interviews with people who live in Mossel Bay and George whose daily lives are touched by the fuel-from-gas operation. Despite this caveat, however, it has no hesitation in extrapolating the Mossgas factor across SA.

It says shutting Mossgas down would not have a major effect on the whole economy — it would cut GDP by at most 0,1%, and "less than 0,02% of all employed people might lose their jobs".

"The problem, however, is that closing a project such as Mossgas could have large negative effects on



BOTHA

towns, subregions or regions which depend on it."

There are few blatant policy recommendations, although there is really little need for them. The authors have no qualms about hunting at their views.

"The decision to go ahead with Mossgas in 1985 can be questioned," it suggests, "but it has created an economic base... If government

cannot see its way clear to invest in Mossgas, the project should be sold to private enterprise."

It is difficult to believe from reading this report that Mossgas has been anything other than a bonanza for the southeastern Cape. Sterile financial figures, however, paint a different picture. In the year to March, Mossgas posted an operating surplus of R114m but still cost the taxpayer R413m in support.

Between the two views, Mineral and Energy Affairs Minister Pik Botha has to find some sort of cash-saving, and face-saving, solution.

The fate of the operation is now being bounced between a range of government bodies including the advisory service, the Central Energy Fund (CEF), Botha's department, the Mossgas Monitoring Panel and the Public Accounts joint committee — which appear to be succeeding in confusing the issue.

The debate over whether or not to save Mossgas from the grave and tap the new fields has until recently hinged on government giving it a further R700m — on top of the R12bn spent so far. But this week the CEF said the expansion could be financed entirely from its operating surplus, apart from some private sector bridging finance. It is understood that even some in Botha's department are now confused.

CEF chairman Roy Pithey said this week that the CEF, which runs Mossgas, had been talking to a "very broad" spectrum of local and international parties about the future of the plant. Discussions had touched on piping the gas from the offshore fields to users in the Western Cape.

"We have also had discussions with a consortium of local black businessmen who have expressed tentative interest in a restructured Mossgas."

The CEF has dismissed talk that is opposed to Botha's wish for a transparent privatisation process.

"We are not at variance with the minister on this. It goes without saying, however, that the nature of our discussions has dictated a level of confidentiality in respect of the parties we have spoken to."

It is understood, however, that Botha and CEF management do not see eye to eye.

It has been suggested the CEF might be betting that it will get the go-ahead for the new gas fields. Given the doubts about CEF's future role, it is perhaps keen to keep Mossgas out of private sector hands and in its own, for at least another five years.

Then, the possibility of the Taiwanese setting up a petrochemicals operation using the Mossgas plant has also been frequently trotted out. And some SA chemicals companies have expressed interest. But industry sources say there has been no suggestion that CEF has anything definite lined up.

Cabinet has to make its decision soon over whether to let Mossgas tap the new fields. "An expeditious decision-making process is vital. The window of decision-making lies between the end of this year and the middle of next," says Pithey. The new gas fields have to be hooked up ahead of 1997 to ensure continuity.

Government sources say some clarity should emerge in the next few weeks as to what the decision will be. Beyond its entertainment value, the advisory service's report will probably add little to the debate that needs to be resolved. It will, however, be another addition to the taxpayers' tab for Mossgas.

medicine needs structures to survive today

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while ensuring that they were protected from malpractice. In order for traditional and modern medicine to operate effectively together in any given country, Fako advised that traditional medicine be formalised to a considerable degree. "There is also a need for a formal relationship with the Ministry of Health," said Fako. He suggested the formation of a National Association of Traditional Healers, since there was a lack of a competent body to regulate, supervise, discipline and control the practise of traditional medicine. Fako called for the standardisation of training of the different categories of traditional practitioners. He saw this as facilitated by the establishment of recognised administrative structures for the screening of traditional healers as well as conventional medical practitioners. Another need was for the establishment of a competent advisory body and other administrative bodies mandated to regulate, co-ordinate and supervise research and the development of traditional medicine.

Initiative to protect healers from exploitation

Traditional healers and their medicines are being exploited from government agencies, universities in Botswana and at the Wits Medical School, Professor Indres Mlodles of the Department of Pharmacy...

Indigenous

BY PATRICK WADULA

Traditional healers continue to practise without legal protection and remain subject to discrimination and abuse because no legislation regarding the practice of traditional medicine exists.

This was an observation made by Dr Thabo Fako of the University of Botswana this week during a workshop on traditional medicine and healers at Wits Medical School.

He said policies governing the development of traditional medicine in many African countries were either ill-defined or non-existent.

Fako pointed out that when drafting a policy, the need for individuals to choose between health practitioners from recognised systems of health care should be taken into account.

"Since traditional healers make important contributions to medical knowledge, governments should facilitate the promotion, protection, preservation and development of all indigenous medicinal plants, materials and preparations that are deemed to be of medicinal value," said Fako. However, he stressed there should be strict regulations regarding the exploration, exploitation and exportation for commercial use of natural resources.

(183) Sowetan 2/11/95

Hard times for oil giant

ENGEN reported massive losses in the financial year ended August 30. Profits plunged by more than 72 percent.

Chief executive Rob Angel was "quietly confident" of a turnaround in Engen's performance in the new year.

According to Engen's results, net income fell by R300 million to R116 million for the year (R416 million), with earnings a share down to 73 cents from the previous 267 cents a share.

Angel said the drop in performance was attributable to "unfavourable

external business conditions" which included restructuring costs of R79 million, increased financing costs of R90 million, an eight-year low in refining margins and operational difficulties at its Durban oil refinery.

The company completed a major transformation programme in the year under review that cut its staff complement by 15 percent and according to Angel would "generate ongoing direct remuneration savings of some R55 million a year".

Oil deal on the back burner

(183) MG(BM) 3-9/11/95

Floundering or sinking, whichever way you view it the South African-Iranian oil deal is going nowhere for now, writes

Karen Harverson

DEPENDING on whom you believe, South Africa's deal to store and trade Iranian oil has fizzled out — or it has just been suspended pending the outcome of an environmental study on the risks of increased tanker traffic to Saldanha Bay

Two weeks ago *Business Day* reported that the deal had floundered over Iran's refusal to offer South Africa an acceptable cut in trading profits. It quoted overseas sources which claimed the deal was "dead in the water"

However, Strategic Fuel Fund (SFF) general manager Kobus van Zyl is adamant that the deal — which could have earned South Africa R50-million a year in profits — is only "temporarily suspended" and has not been scrapped.

"The storage agreement has been signed. The joint venture trading agreement must still be signed although all the main aspects of the deal have been agreed upon."

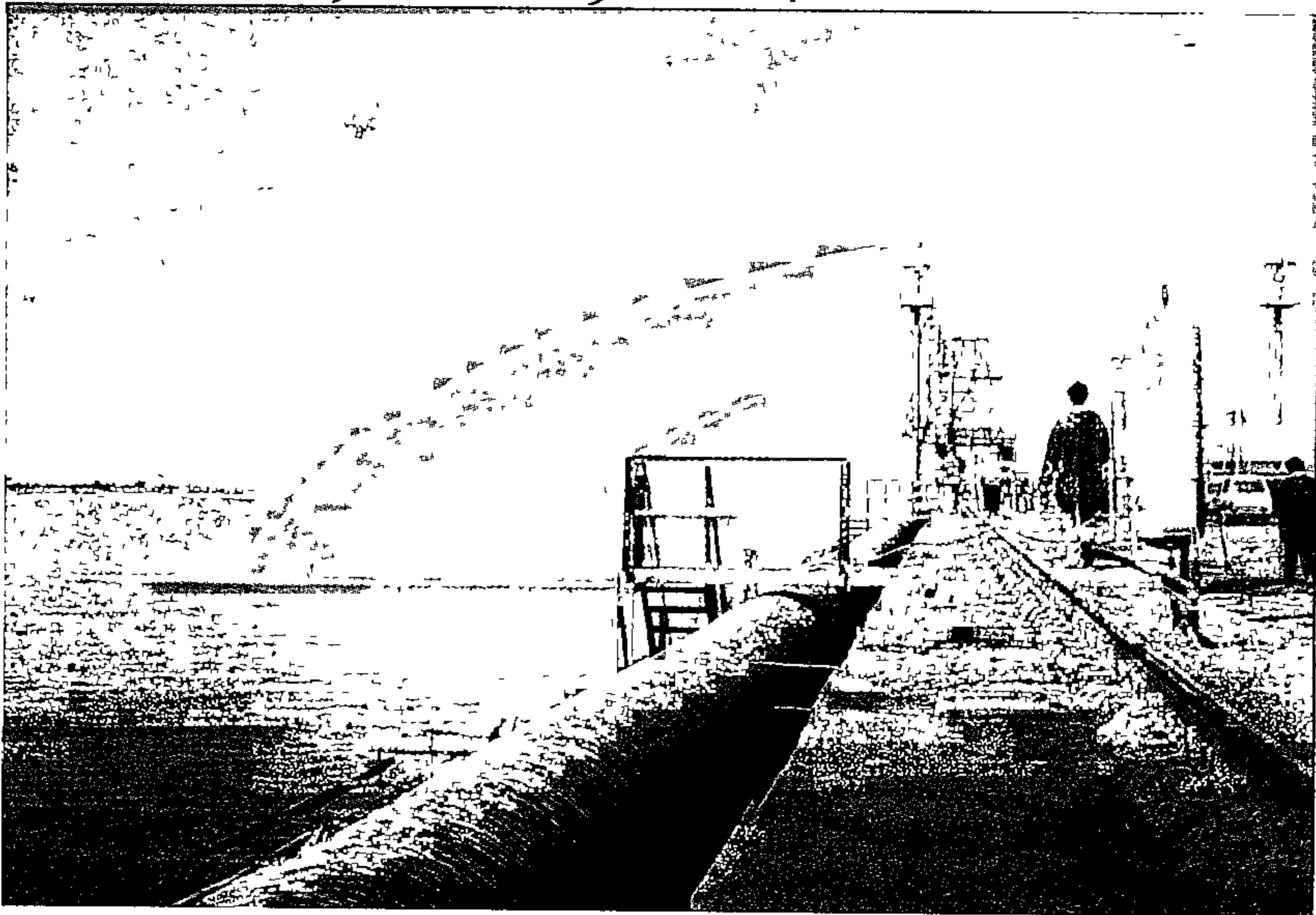
He added that the deal was suspended because the South African government insisted that the outcome of the environmental study be made a suspensive condition of the contract. "The Iranians are naturally upset about this late development but both parties have to respect it."

Industry sources claim Iran's initial interest in the deal was fuelled by its urgent need to find storage for its oil which was piling up because of United States sanctions against the country.

Another benefit is the strategic position of the Saldanha tank farm which is convenient for the African, South American and north west European markets.

The SFF's deal with Iran entails both storing Iranian oil and trading it — and the storage agreement will apparently not go ahead without the trading aspect being tied in.

"A storage deal based on a storage fee has never been discussed and is



Saldanha's terminal: Will the oil flow or not?

PHOTOGRAPH KAREN HARVERSON

presently not under consideration by the SFF," says Van Zyl.

Iran's apparent reluctance to conclude a satisfactory joint venture trading agreement with South Africa may indicate that its need to store oil is not as desperate as once thought or even that it no longer has the oil available to place in storage.

In any event, the deal won't get the go-ahead before the outcome of the Council for Scientific and Industrial Research's (CSIR) environmental impact assessment (EIA) study which seems unlikely to be completed earlier than mid-1996.

Last week the CSIR released a Background Information Document to some 340 affected or interested parties, inviting comment on the proposed process and on the issues which need to be addressed by the study.

Comment must be submitted by mid-November, following which a scoping report will be published describing the agreed process of the EIA, the viable project alternatives to be assessed and



Kobus van Zyl: The deal has been suspended, not scrapped

PHOTOGRAPH KAREN HARVERSON

the key issues to be taken into account.

Thereafter, specialist studies will be undertaken on those issues identified in the scoping phase.

Finally a documented report will be drafted based on the findings of the studies and the SFF will then decide if

it is to proceed with plans to expand operations at Saldanha.

The benefits to South Africa of the Iran deal — besides the estimated R50-million trading profit — include improving the utilisation of an under-utilised asset and using Iran's crude oil as collateral for export trade to that country from South Africa.

A deal with Iran could also result in a reduction of South Africa's strategic oil stocks below the target of 35-million barrels, thus releasing more than \$250-million for use by the government.

At present, South Africa has 53-million barrels of crude oil stockpiled compared to its highest level of 150-million barrels in mid-1989.

The SFF plans to reduce the 36-million barrels at Ogies to 10-million barrels and increase the 16-million barrels at Saldanha to 25-million, thus reaching its target of 35-million barrels. "The present rate of reduction is very low (about 700 000 barrels a month) and could take about 25 months to achieve," says Van Zyl.



Angel explains fall

(183) MG(BM) 3-9/11/95

LOCAL refiner Engen blamed external business conditions for its disappointing 1995 financial results announced this week. Net income plunged R300-million to R116-million compared to R416-million in 1994.

Chief executive officer Rob Angel blamed the fall in profits on restructuring costs of R79-million, increased financing costs of R90-million, an eight-year low in refining margins

and teething problems at its Durban refinery.

He said the plant had been plagued by 17 external power cuts in the past 12 months which he felt was unacceptable and totally "third world".

The company has recently completed a major transformation programme which will generate savings of about R55-million a year. It is repositioning itself to focus on its core business of refining and marketing.

Angel said the company intended listing its upstream (exploration and production) business separately in the first quarter of 1996.

Left: Rob Angel announcing Engen's financial results

PHOTOGRAPH NAASHON ZALK

Afrox's improved results 'pleasing'

Yuri Thumbran

A STURDIER economy, the successful merging of acquisitions and attention to cost containment helped African Oxygen (Afrox) lift profit after additional appreciation and before extraordinary items by 28% to R150,8m for the year ended September

Inflation-adjusted earnings a share for the group, one of the few on the JSE which accounts for inflation by charging earnings with additional depreciation, rose to 503c (392c)

A final dividend of 175c a share, up 17% on last year's 150c, was declared, giving a total distribution of 277c (238c) for the year. Shareholders would have the option of a capitalisation award

Chairman and MD Royden Vice said the results were pleasing, particularly in view of the high base the group had established last year

Turnover, 20% up at R1,7bn, had risen amid growth in volumes and as a result of acquisitions in 1994 which had exceeded expectations, he said. Trading profit, benefiting from cost containment and the successful merging of acquisitions with existing busi-

(183) RD 3/11/95
nesses, increased 21% to R320,9m (R266,3m). Net interest paid came to R64,1m (R44,6m). A marginal tax rate saw the tax bill increase slightly to R90,9m (R89,9m)

Vice said all the group's businesses had performed well. Cash flow was pleasing, leaving borrowings of R420m at year-end, unchanged from the halfway stage

The gases business saw volumes of all gases increase substantially through the introduction of new technologies and the development of new marketing opportunities.

Two 15-year contracts for oxygen, nitrogen and argon were secured during the year with Iscor in Pretoria and Highveld Steel near Witbank.

The welding business recorded increased earnings

Vice said although tariff increases were disappointing, the health care business again produced sound profit

"The commitment to grow business is as strong as ever. Capital expenditure for the year amounted to R180m"

Political changes had enabled Afrox, which now exported to 65 countries, to expand into sub-Saharan Africa.

Activities: Makes printing inks

Control: CTP 79,7%

Chairman: M E Jankelowitz

Capital structure: 40,2m ords Market capitalisation R24,1m

Share market: Price 60c Yields 3,8% on dividend, 14% on earnings, p e ratio, 7,41, cover, 3,5 12-month high, 100c, low, 50c Trading volume last quarter, 15 857 shares

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	3,6	1,9	2,6	2,0
LT debt (Rm)	0,1	0,03	0,3	0,08
Debt equity ratio	0,21	0,06	0,11	0,10
Shareholders' interest	0,5	0,5	0,5	0,5
Int & leasing cover	4,9	9,6	15,1	10,9
Return on cap (%)	17,5	19,3	15,4	13,8
Turnover (Rm)	53,7	57,6	62,3	72,4
Pre-int profit (Rm)	5,9	6,4	5,9	5,9
Pre-int margin (%)	11,0	11,1	9,4	8,1
Earnings (c)	6,2	7,2	7,7	8,1
Dividends (c)	2,0	2,3	2,3	2,3
Tangible NAV (c)	38,0	42,9	48,3	54,1

interest profits Heavy competition and escalating costs of imported components counter increased sales — these grew by 16% last year

Chairman Edwin Jankelowitz isn't giving away any secrets — neither the brief annual report nor the guarded answers of the man himself leave investors much the wiser

Jankelowitz says Solchem will never be a "shooting star" But if it achieves its aim of greater volumes, margins will improve He says current volumes are not high enough to

COMPANIES



Jankelowitz

justify complete automation, which would increase return on capital

Management spent about R1,5m on plant upgrades last year and a similar amount is possible this year

Part of the problem is streamlining production of a variety of types of

ink and another is the limited number of potential customers

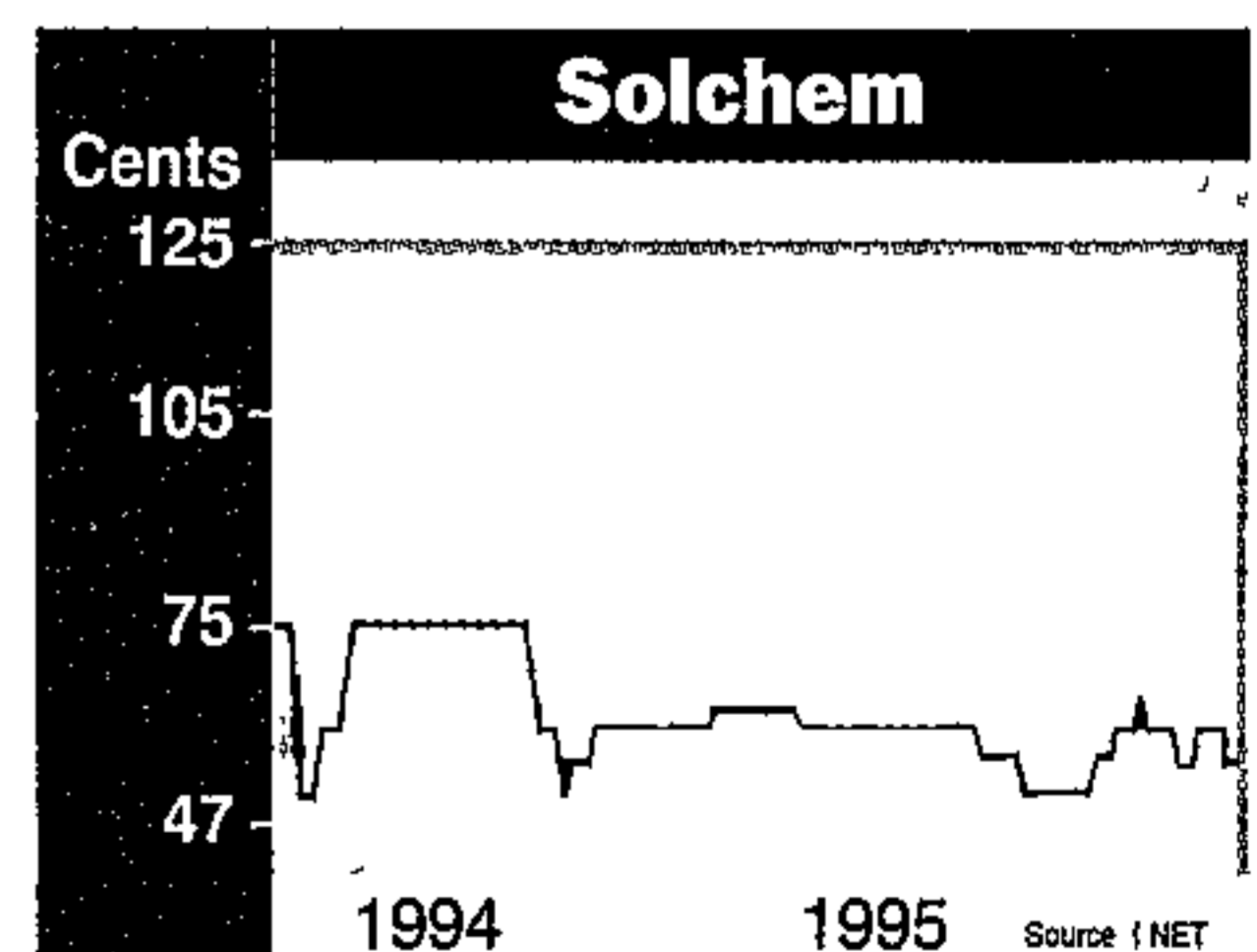
The most streamlined division is the one making newspaper ink, used by Caxton itself Jankelowitz hopes a plant opened in Port Elizabeth this year will break even by the 1996 year-end

Almost six months into the 1996 financial year, he won't make predictions on results "He who uses a crystal ball ends up eating glass," he says

He doesn't like disclosing information, pointing out — though one doubts if this

SOLCHEM (183)
PM 3/11/95
No great shakes

It's difficult to tell whether Caxton's listed ink manufacturer will be able to pull out of a rut of narrowing margins and static pre-



was how it was put to the JSE — that the only reason for listing in 1986 was to convince potential customers of the group's consistent pricing structure

With less than 10% of 40m shares available to private investors — institutions take about 10% — liquidity isn't high Though the p e ratio of 7,4 is lower than the sector average of 16,1, at a 6c premium to NAV there are more exciting buys

Michelle Joubert

ENGEN

Refining production recovering

Shareholders had plenty of warning, in the cautionary announcement on July 18, that Engen's results would be poor. So the 19% decline in operating income and in particular the 72% drop in EPS were no surprise.

Still, they make painful reading. The strategic value of the cautionary, though, is that it may have taken most of the shock out of the share price. Unchanged at R23 on Monday after results were announced, the share has drifted down from R36, a decline of 36%, over the year. It may now be an interesting recovery prospect.

There may not be much change in the "external business conditions" on which Engen partly blames its poor year. Even if these conditions remain neutral, internal factors — including cost-savings from continuing rationalisation and improved throughput at the problem-plagued Durban refinery — must point to earnings growth at the interim.

Longer-term, some embryonic but far-reaching structural changes could help to sustain profits.

The hard knocks to the income statement are most evident in declining operating profit — including a restructuring charge of R79m and an inventory loss of R18m — and interest charges, up from R49m to R139m, mainly on increased capex to fund the R800m phase two upgrade of the Durban refinery and higher interest rates.

Borrowings climbed 32% to R1,04bn over the corresponding period.

Conditions at the refinery have been tough, partly through teething problems and a high number of power failures. Crude throughput declined by 12,7% to 26,1m barrels, though CE Rob Angel notes it would have been the same as last year were it not for the six-week shutdown to accommodate the upgrade.

Engen, with other large industrial consumers in Durban, is exploring solutions

The problem appears to lie more with Durban Corp than Eskom. Angel describes the power failures — 17 in the past year — as "totally Third-World stuff. In a major industrial activity, it's just not acceptable."

The price differential between light and heavy crude oils has narrowed, robbing the refinery (upgraded to exploit greater value from heavy crudes) of some potential advantages of its new hardware.

However, Angel says production at the refinery has improved over the past three months. It was recently running at about 100 000 barrels/day, close to its stream capacity of 104 000 barrels.

International refining margins, especially in the Singapore region, important for SA refiners, drifted down to an eight-year low during the 1995 year, mainly from excess capacity.

Engen's average margin fell to US\$4,18/barrel from the year-ago \$4,85.

Angel says fundamentals indicate at best a moderate recovery in international margins over the coming year. At home, where Engen could not fully match sales growth of 5,6% (to 39,3m barrels) and lost market share from uneconomic retail sites, economic

growth should help.

The industry usually gets a multiplier effect of about 1.5 times GDP growth. There may also be an increase in the wholesale margin this year.

That, with a small but growing contribution from chemicals and waxes, should increase profits. Nonrecurrence of retrenchment costs (R79m) and related savings of about R55m a year, plus the absence of a six-week shutdown (which cost about R60m in lost production), must indicate Engen's earnings slump has bottomed.

Longer-term, next year's separate listing of the upstream assets (in the Chemicals & Oils sector) is an important development. Engen aims to raise about \$100m in the listing, retaining 55%-60% of the company.

The listing should place a market value on the upstream assets. The cash will probably be used for investment in producing oilfields (off the west African coast) and will cut exploration and development risk from the Engen share.

Downward rating of Engen's share could be over. Recent foreign buying indicates it is being viewed as a recovery stock abroad.

Risk remains and cautious investors will want to see proof of a turnaround in interim results. But now could be the time to revisit the share.

Shaun Harris

MALBAK

Investment picking up

This diversified consumer group's results for the year to end-August were released on the same day as the announcement that the CPI had slowed to a year-on-year increase of 6,4%.

The timing was coincidental but significant, for it underlines an important new factor for investors to consider.

Like those of several other large groups that have reported recently — particularly those in the consumer sector, such as Anglovaal Industries and Pepkor — Malbak's 22% advance in EPS may not seem exciting when viewed against many results posted a few months ago.

At midyear, earnings of large industrial groups were showing average growth around 28%-30%. Many of these, however, were companies recovering from severe declines during the recession. And, in the first half of this year, many profit figures were being heavily influenced by the depressed base in the first half of 1994.

Malbak's full-year figure show a marked slowdown during the second half, partly reflecting the recovery in trading conditions during the 1994 second half. The current year's interim sales were up 28%, operating income 30% and EPS 25%.

At the interim announcement, chairman Grant Thomas noted that, as earnings in the second half would be measured against a higher base, the full-year earnings growth was likely to be lower than that achieved in the first half.

The 22% achieved was perhaps slightly ahead of management's expectations. Given the latest inflation figures, it does indicate robust real growth — and is a reminder that investors may have to get used to more sub-



Angel

AT THE BOTTOM?

Year to August 31	1994	1995
Turnover (Rbn)	8,45	9,00
Operating income (Rm)	666	540
Attributable (Rm)	416	116
Earnings (c)	267	73
Dividends (c)	154	60

KEEPING PACE

Year to August 31	1994	1995
Sales (Rbn)	12,61	15,51
Pre-tax profit (Rm)	770	911
Earnings (Rm)	414	510
Earnings (c)	134,6	164,8
Dividends (c)	38,5	46,0

State warned on costs of Mossgas delay

(183) Star 6/11/95

By BRUCE CAMERON

Cape Town — Taxpayers face even greater costs for Mossgas unless a decision is made almost immediately on the future of the R12 billion synthetic fuel complex, the nation's senior energy officials say.

The latest warning of the potential extra costs will be sounded today by the chief executive of the Central Energy Fund (CEF), Roy Pithey, at a meeting of the standing parliamentary committee on public accounts in Cape Town.

Pithey is expected to argue that any further delays on a decision would seriously erode the future viability of Mossgas and would push up costs if a decision was made later to extend the life of Mossgas for another six years.

Meanwhile, Pik Botha, the energy and mineral affairs minister, was quoted by Reuters as telling an oil conference in London that "even the mothballing would cost R1,3 billion and dismantling R650 million".

He said a further option was "a negotiated privatisation on the basis of an arrangement arrived at in the face of open and international competition".

The future of Mossgas has been stalled by a government-appointed panel, which does not want to make recommendations until the government has clarified its position on broader socio-economic issues related to Mossgas. This includes issues such as employment.

The CEF and Mossgas have made three recommendations to the government and the panel on the future of Mossgas.

- These are
- Enhanced synfuel production;
 - Methanol production for export, and
 - Piping of gas to the Western Cape.

The enhanced synfuel option,

which is favoured by CEF and Mossgas, would require a further investment of R850 million, of which R450 million would go to develop satellite gas fields and R400 million for compression equipment to boost gas production of the fields off Mossel Bay.

The CEF and Mossgas say the immediate extension of the life of Mossgas as a synfuel producer will not place any further demand on taxpayers and would not need the synfuel levy or any tariff protection to make a profit.

The CEF has proposed to the government that Mossgas be privatised as the best solution in the utilisation of existing facilities and future development. In the financial year to March this year, Mossgas made an operating surplus of R114 million before the synfuel levy and tariff protection.

If a go ahead for the R850 million plan is not given, declining pressure in the existing field will bring production of Mossgas to a halt early in 1997. Therefore a decision is needed urgently to avoid costly measures to counter the effects of a production slowdown.

The CEF contends that a "buy-time option", which the government panel appears to support, would mean that Mossgas would have to be managed as a "limited horizon company", pushing up the future costs of resuscitating the company to full production if that route were ultimately chosen.

Mossgas expects the continued operation to benefit the country's balance of payments by a net R3,1 billion over the next six years and will provide direct employment for 800 to 900 people.

The issue has been complicated by claims that Taiwanese investors could purchase the plant, turning it into a huge petrochemical complex and employing thousands.

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(183)

CT(MA)6/11/95

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The CEF and Mossgas say the immediate extension of the life of Mossgas as a synfuel producer will not place any further demand on taxpayers and would not need the synfuel levy or any tariff protection to make a profit.

The CEF has proposed to the government that Mossgas be privatised as the best solution in the utilisation of existing facilities and future development. In the financial year to March this year, Mossgas made an operating surplus of R114 million before the synfuel levy and tariff protection.

If a go ahead for the R850 million plan is not given, declining pressure in the existing field will bring production of Mossgas to a halt early in 1997. Therefore a decision is needed urgently to avoid costly measures to counter the effects of a production slowdown.

The CEF contends that a "buy-time option", which the government panel appears to support, would mean that Mossgas would have to be managed as a "limited horizon company", pushing up the future costs of resuscitating the company to full production if that route were ultimately chosen.

Mossgas expects the continued operation to benefit the country's balance of payments by a net R3,1 billion over the next six years and will provide direct employment for 800 to 900 people.

The issue has been complicated by claims that Taiwanese investors could purchase the plant, turning it into a huge petrochemical complex and employing thousands.

Mossgas chiefs put on the spot in parliament

ARG 6/11/95 (183)

CLIVE SAWYER
Political Correspondent

MOSSGAS chiefs are to appear before parliament's joint committee on public accounts today to answer criticism of the operation into which billions of rands of taxpayers' money has been sunk.

The committee ruled last year that no further money be invested in Mossgas without a full investigation, independently verified, that it is fully justified.

Cabinet deliberations on the fate of the costly operation are expected to begin soon.

Options include shutting it down, privatising it, or giving it the go-ahead to try to tap new fields.

Those giving evidence before the powerful multi-party com-

mittee will be Mossgas chairman Roy Pithey and managing director John Theo.

Set up in the apartheid era, Mossgas has cost taxpayers about R1.1 billion, including R413 million in the year ending March.

Earlier this year, auditor-general Henri Kluever declined to give the Central Energy Fund an unqualified audit opinion because of the fund's investment in Mossgas.

He said he could not agree with the method used by directors of the fund to calculate the value of its investment, which they claim is R8,9 billion.

● The committee will spend the week dealing with replies to a series of auditor-general's reports on various bodies and parastatals.

Sasol unions join forces

(183) (183)
Renee Grawitzky
BD 6/11/95

THE whites-only Mine-workers' Union and Yster en Staal Unie joined Cosatu-aligned Chemical Workers' Industrial Union in a march on Sasol in Secunda on Friday to protest against proposed retrenchments

Fred Bond of the chemical workers' union said Sasol was ignoring the problems and concerns of the workers who were protesting against so-called outsourcing by the company and the use of subcontractors

Sasol said as part of an optimisation exercise and in view of the uncertain future of synthetic fuels' tariff protection, it had started a business transformation process

Sasol said this would involve employees and the unions had been involved in its planning

'Care needed' in fuel reform

Mungo Soggot

(183) BD 6/11/95

THE home-grown dilemmas of Mossgas and Sasol made the already tortuous task of SA liquid fuel reform even more daunting, Mineral and Energy Affairs Minister Pik Botha said at the weekend.

He told an oil and money conference in London that government had to cut its heavy involvement in the fuel industry, but had to tread very carefully.

"We must relax the rules. But at the same time we must ensure that within the bounds of fair competition, the midgets — many of whom are new to the game — are not wiped out by the giants.

"As if that did not provide enough for any energy minister to deal with, we have a few home-grown liquid fuels peculiarities of our own — Sasol and Mossgas."

He said government was reviewing Sasol's tariff protection and would phase it out in a

way that would allow the group to continue its fuel production.

Industry sources expect government to make a decision before the end of the year. "Another one of our home-grown dilemmas is Mossgas," Botha said.

He said he was waiting for a report which he would use to draw a report to the Cabinet on the synthetic-fuel producer's fate. Mossgas would either get the go-ahead to spend R700m on new gas fields, or there would be a negotiated, open privatisation of the R11bn operation.

Botha said mothballing the fuel-from-gas operation would cost R1,3bn and dismantling it R650m.

Government was also looking at the role of the Central Energy Fund, which ran Mossgas and was the holding company for Soekor, its exploration arm, and the Strategic Fuel Fund, which ran SA's fuel storage tanks at Saldanha Bay and Ogies.

Unleaded petrol was likely to hit the forecourts in February at 4c/litre cheaper than leaded fuel.

Turning to electrification, he said that government's solar energy programme aimed to supply solar lighting to 16 000 rural schools, 2 000 clinics and 2,5-million homes by the end of the century.

Panel slams call for R850m Moss gas boost

Star (BR) 7/11/95 (183)

By BRUCE CAMERON

Cape Town — A government-appointed panel has rejected as superficial arguments for an immediate R850 million capital injection to extend the life of the R12 billion Moss gas project for six years

The panel of international experts, which has cost the government R2,5 million so far, wants Moss gas to slow down production to buy time so that a properly investigated decision can be made on the future of the controversial plant

At a meeting of the parliamentary standing committee on public accounts yesterday, the Central

Energy Fund and Moss gas said unless a decision was made to pump more money into the project within weeks, costs and lost opportunity costs would start mounting

Moss gas chief executive John Theo warned that safety standards at the plant could be compromised by a loss of staff morale

Gill Marcus, the chairman of the standing committee on finance and a member of the public accounts committee, said figures supplied by Moss gas were constantly changing, their proposals changed and they kept asking for more money for different projects

Deputy Auditor-General Bertie

Loots warned that time was becoming critical and that a decision would have to be made soon

The main problem is the government's views on a number of issues, including the role Moss gas should play in employment

After saying in a report that a decision should be delayed for about six to 12 months, Christopher Stephen, the chairman of the panel, told the parliamentary committee that if a number of forums could be held with the affected government departments, a decision could be made within four to six weeks

Meanwhile, Moss gas and Engen are warming up for a R30 million

court battle. The amount is what Engen put up originally to be part of the Moss gas project

Roy Pithey, the chairman of the Central Energy Fund, told the parliamentary standing committee on public accounts yesterday that he had been incorrect last year in assuming that Engen would pay up the money

Engen is claiming that the money was a loan, while Moss gas contended that it was part of the seed money or an option to buy into Moss gas. Engen declined to take up its option

□ See Page 5

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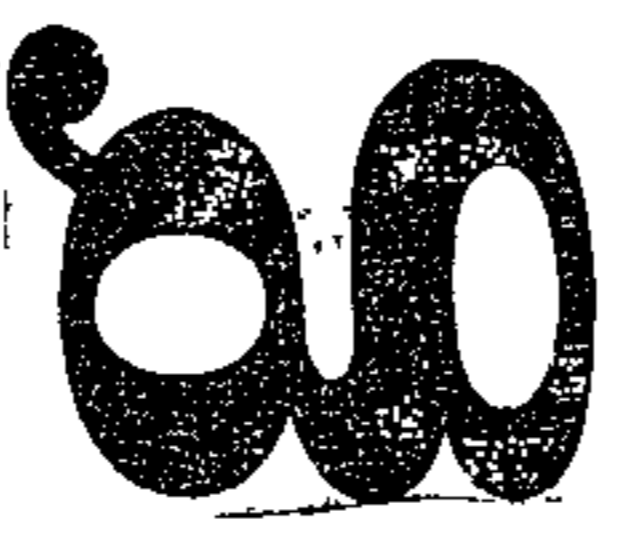
□ See Page 22

Mossgas Running

(183) ARG 7/11/95

Out of gas to

'Production should be slowed for time to decide on future'



Political Correspondent

GAS at Mossgas is running out.

Production should be slowed to allow more time to decide on the future of the controversial plant, an independent panel of experts recommended in evidence to parliament's joint standing committee on public accounts

But Mossgas management has urged the government to make a swift decision on a proposal to develop the operation's satellite gasfields

Mossgas chairman Roy Pithey told the committee yesterday there was no justification to shut down the operation because there were plenty of options for its future.

While a recommendation to invest in the new fields had not yet been made to Energy Affairs Minister Pik Botha, a decision was needed soon

Mr Pithey said expansion of the operation into the new gasfields was "the option of least regret"

Mossgas managing director John Theo said it would cost between R500 million and R600 million to shut down Mossgas completely

Marcel Golding (African National Congress) said the issue was not whether Mossgas should be shut down, but what the best option was for its future.

Mr Theo said proceeding with the satellite field option would make Mossgas more marketable to a potential buyer

"The time pressures are such that by February 1997 we will have to start reducing the capacity of the plant, which will have financial implications"

Funding for the project would be generated by future cash flow, making an injection by the state unnecessary

Mr Pithey said matters which needed to be resolved included the deregulation or re-regulation of the fuel industry, and policy on the restructuring of state assets

A task group has been appointed by the ministry of mineral and energy affairs to report by December 6 on the restructuring of state assets in the energy field

Earlier, Mossgas announced it was to cut its 1300-strong workforce by 10 per cent next year as part of a plan to reduce operating costs

A further 300 jobs would be cut during the next three years, depending on the outcome of studies on options for the operation's future

Costs of mothballing Mossgas have been estimated at R1,3 billion

Estimates of when the gas will run out vary from 12 months to two years. At present, about 212 million litres of gas are pumped out every hour

Mossgas analysis flawed, says panel

(183)

Tim Cohen

CAPE TOWN — The Mossgas monitoring panel registered strong reservations yesterday about a proposal to invest a further R843m in Mossgas, describing the commercial and technical analysis on which the plan was based as "flawed and incomplete"

The panel, established to evaluate any new investment in the controversial parastatal, said in documents presented to the parliamentary public accounts committee that it was not sympathetic to the plan

The panel was responding to a decision by Mossgas and the Central Energy Fund to recommend an investment of R443m in developing satellite gas fields and about R400m in compression equipment. Mossgas decided to recommend this after considering such alternatives as the production of methanol and the piping of gas to the Western Cape, both of which were rejected because they were considered to be a higher risk and less profitable.

In response, the panel said analysis of alternative gas development options had not been pursued rigorously and

BD 7/11/95

no analysis of potential alternative uses for Mossgas's onshore plant had been presented. "Somewhat superficial analyses have been presented in an attempt to demonstrate the alleged technical and financial disadvantages of alternative offshore developments."

Questioned by the committee yesterday, Mossgas chairman Roy Pithey defended the proposal, saying it was essential that approval for the investment take place soon to prevent Mossgas becoming a "limited horizon company". Should the investment not occur, declining pressure in the existing gas fields would result in gas supply "sliding off the shelf" next year, with production likely to halt in 1997.

Plans to restructure or privatise Mossgas would also suffer because it would be seen as a company with a limited lifespan. He said the investment would be funded from the company's operating surplus, estimated to reach R120m this year. The project would require 15 to 18 months to complete and would yield an attractive rate of return at in-bond landed cost fuel prices with no tariff protection, extending Mossgas's life by five years.

Engen predicts improved trading period

(183) BD 7/11/95

Edward West

CAPE TOWN — Petroleum group Engen had "bitten the bullet" and expected an improved operational performance with higher recurring profit and net income in the current year to end-August, CE Rob Angel said yesterday

The group recently reported a R300m cut in full-year net profit. Angel said problems during the expansion of the group's Durban refinery were being overcome

Key industrialists in Durban, including those from Engen, Sappi, Mondi and the Sapref refinery, intended "rattling the cages" of the Durban Corporation because of the "Third World" reliability of power supply, which had resulted

in power cuts at the refinery, he said.

The current financial year would be an important one for the group in terms of upstream activity. Energy Africa, a company involved in oil exploration and other activities, would be listed in the first quarter of next year

Production from the N'Kossa field was scheduled for the third quarter, and negotiations were under way to acquire more oil production in West Africa which would be included in the activities of the new listed company

Angel said three-dimensional seismic work on the Kudu gas field had been completed, and the potential appeared exciting.

Crude prices were expected to

remain fairly flat over the next few years. Oil industry regulation was expected and import parity pricing for crude oil was likely to remain unchanged.

The 15% cut in the number of Engen employees was expected to result in savings of up to R55m a year and indirect savings of up to R11m. Purchasing activities had been centralised, cost controls would continue tightening all year, and office accommodation at head office was being leased out.

Talks with Sasol about the possible merger of operations had been suspended due to the referral to arbitration of a dispute between Sasol and Total about their respective shareholdings in the Nat-ref refinery

Sentrachem's US acquisition will boost earnings

(183) CT(BR) 8/11/95

FROM REUTER

Johannesburg — Sentrachem said it expected to achieve real growth in earnings in the year to August 31 next year, helped by a contribution from newly acquired Hampshire Chemical of the United States

"I believe the current buoyant state of the chemical industry internationally will remain and that the South African economy will contin-

ue its growth next year," John Job, the managing director, said in the company's annual review

"Sentrachem is well positioned to take advantage of these circumstances and I expect real earnings growth next year, for the fifth successive year," he said

Sentrachem reported a 36 percent increase in earnings a share in the year to August 31 — to 123,4c, from 90,5c in 1993/94

The acquisition of Hampshire would add R800 million or almost 20 percent to Sentrachem's annual turnover and would make "a significant contribution to earnings", Job said

"Hampshire is experiencing a very good year and the indications are that this trend will continue into the new financial year," he said

He said the Hampshire range of cyano derivatives, used in the phar-

maceutical, agricultural, specialty detergents and cosmetics industries, suited Sentrachem's strategic product profile. Its diversity of materials, processes and technologies would enable both companies to develop new markets

Sentrachem said the acquisition would be funded by its global depository receipt issue, announced yesterday and valued at about \$55 million

Extent of Sentrachem loan loss \$6m more than expected

Mungo Soggot

(183)
BO 8/11/95

THE final tally for Sentrachem's provisions to cover loans to struggling shipping company Adriatic Tankers is about \$6m more than the \$15m indicated when details of the saga first emerged last month.

In its annual report, the company said it had written off a total of R80,4m for the loans. A spokesman said yesterday that on top of the \$15m in unauthorised loans, there had been a further \$6m in authorised loans extended to Adriatic which had been written off.

The loans to Adriatic emerged last month when Sentrachem unveiled its year end results. At that time the \$15m figure was not detailed in the results, and after it emerged, Sentrachem had stressed this was the full extent of its exposure to Adriatic. The company had, however, promised full details in its annual report.

Sentrachem said it had close links with Adriatic for about 10 years, but it refused to comment on the senior management position held at Adriatic by

Johan van der Walt, son of Sentrachem's former MD Johan van der Walt.

The group said that it had suspended the executive responsible for extending the loan, international head William Bergh.

In his annual review, MD John Job said exports in the 1994 financial year had risen to 20% of turnover and the company was targeting 25% for 1997/98.

He said the group planned to invest R750m in new capital projects and expansions in the next three years in response to increased foreign competition brought by falling tariff barriers.

The gradual sale of Mega Plastics would continue next year.

Megapak had been sold to Nampak for R83m, while Murray and Roberts had bought Megapipe and Megaflex for R82m. Megahitec and Sagex were next, Rob said.

Chairman Attie du Plessis said shareholders could look forward to another year of real growth in earnings. Attributable earnings for the year to August were R210m, up from R120m

Mossgas running 'above capacity'

(183) BD 8/11/95
Mungo Soggot

THE Chemical Workers' Industrial Union said yesterday it had heard allegations that Mossgas management was running the plant significantly above capacity in a bid to force government to make a decision on prolonging its life as soon as possible.

The union also hit out at the Central Energy Fund's (CEF's) efforts to devise a plan for the operation which was due to run out of gas in 1997. "There is little to show for the time and resources which have been allocated to Mossgas management and the CEF to develop a plan for the plant's future."

The attack follows the Mossgas monitoring panel's assessment of the CEF's plans presented to the parliamentary public accounts committee as "flawed and incomplete". The plans included a proposal to spend a further R843m on developing new gas fields for the Mossel Bay operation.

The union called for a moratorium on all retrenchments at Mossgas until there was clarity on its future, as well as an independent evaluation of the operation's options.

GOING UP

Year to September 30	1994	1995
Turnover (Rbn)	1,44	1,72
Pre tax profit (Rm)	226	262
Attributable (Rm)	124,8	152,9
Earnings (c)	392	503
Dividends (c)	238	277

AFROX (183)
FM 10/11/95

Spending turning down

The 1995 year's performance partly reflects benefits from hefty capital spending and investments in acquisitions ahead of the current upswing

But it was largely a drop in the effective tax rate that made the difference between the 21% trading profit advance — on the unexciting side in the current climate — and the 28% rise in bottom-line earnings

The tax rate fell from 39,8% to 34,7% for two reasons the transitional levy fell away, and for the first time the company paid a scrip dividend, so the STC charge was lower Chairman and MD Royden Vice says Afrox has generally paid a full tax rate, and he expects little change from this level

Group turnover rose by 20% and was again driven primarily by the gases division, which is the largest profit generator Vice says gas division turnover climbed 26%, the welding division's 17% and the health-care division's 19% Divisional profits showed much the same pattern

Vice says overall demand and the results were a little better than was expected earlier in the year The gases business saw strong volume growth in many sectors and was also helped by access to parent company BOC Gases application technology

He adds it has been noticeable that demand from small users, such as "engineering companies that took a pounding during

the downturn" has been recovering

Activity in the welding division tailed off towards year-end, with major projects such as Columbus and Alusaf reaching completion The health care division, however, is gaining from improved occupancies following investment in the facilities at the hospitals as well as acquisitions three hospitals were acquired in the 1994 year for R60m

Borrowings at the 1994 year-end were unusually high for this company, at a net R385m, up from the year-ago R227m In the 1995 year debt continued to increase, reaching R422m and giving a debt equity ratio of some 44% by September 30 However, with capex now declining and a tight rein being kept on working capital, the borrowings appear to have topped out — there was little change over the second half of the year — and could now start falling

The capital outlay in the 1995 year was well down on 1994, when a total R290m was spent This comprised R93m on the acquisition of Engen's LPG cylinder business, the R60m on buying hospitals, plus about R140m on normal replacement capex

In the latest year the accent was on ensuring that the earlier investment delivered as expected Capital spending dropped to about R160m, and Vice says it will remain around this level for a while

Working capital rose by only 6%, well below the rate of increase in turnover He notes that debtors and stocks have been brought down, and contends this process can be taken further, this too should help to reduce debt Interest cover meanwhile is comfortable at more than five times

The share price, having gained just over a third since February, stands marginally below its record high of R130 The historical p/e has dropped from an unreasonable 32,5 just over a year ago to 25,8

Afrox remains a net cash generator after investments and dividends The bulk of its markets are linked to GDFI or fixed investment expenditure, which is now growing strongly That should ensure it retains a strong investment following

Andrew McNulty

Chill wind hits Mossgas flame

ARC 11/11/95 (183)

ALIDE DASNOIS
Business Editor

THE government has been urged to freeze any decision on the future of Mossgas until February next year, amid fears that delays could spell the end of the R12 billion synthetic fuel project

The parliamentary committee on public accounts has also criticised Mossgas for not producing sufficient information to show whether or not further investment would be financially justified.

An independent committee of experts complained earlier this week that proposals to invest more than R800 million in Mossgas were based on flawed and incomplete analysis

Mossgas had not addressed key concerns regarding the national interest, the parliamen-

tary committee said

Analysis of the positions of all stakeholders, fiscal effects, employment and multiplier effects was incomplete. Mossgas had also not dealt with the question of potential domestic and international private sector partners

The committee recommended that the Government delay any decision on investment until further information had been collected. It called for a new report before the end of February next year

The recommendations come a few days after Mossgas managers urged the government to take a quick decision on the parastatal's proposal to develop satellite gasfields. Waiting too long, they said, could mean condemning the project to death

Instead of closing down or

mothballing the project — which could cost up to R1,3 billion — Mossgas and the Central Energy Fund have asked the government for permission to tap new fields, if necessary at Mossgas's own expense

This would cost R450 million and Mossgas has also proposed the investment of R400 million for compression equipment to speed up production

But the committee said although it recognised Mossgas and Soekor were assets of potential value, and in spite of the Mossgas-CEF willingness to invest in the new fields, the government should not decide yet

Its recommendations include

■ Retention of the independent panel of experts to advise the Department of Mineral and Energy Affairs,

■ Development of a long term business plan, taking into account socio-economic issues and the objectives of government (including privatisation) as the owner of Mossgas,

■ Drawing up criteria to assess the different options open to the government,

■ Development of a work programme for Mossgas, with target gas production rates, with Mossgas looking into low-cost investment options and even into production cutbacks,

■ Definition of potential private sector interest in Mossgas and Soekor assets to enable the government to assess the privatisation option

The committee said it recognised the consequences of delays. Deadlines for the completion of its recommendations should be determined by the department

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INSIDE

YOUR MONEY

TRANSPORT

Moss gas is running dry . . . and fast

Extending its life will cost ^{(183) ARG 11/11/95} R800 million

WILLEM STEENKAMP
Staff Reporter

THE enormity of the R11 billion Moss gas folly, perpetrated by the former P W Botha government, has only now become clear with the news that gas in the field off Mossel Bay is fast running out — a mere two years after production started.

Moss gas spokesman Harry Hill this week freely admitted that — in hindsight — the decision to go ahead with the project was indeed a wrong one.

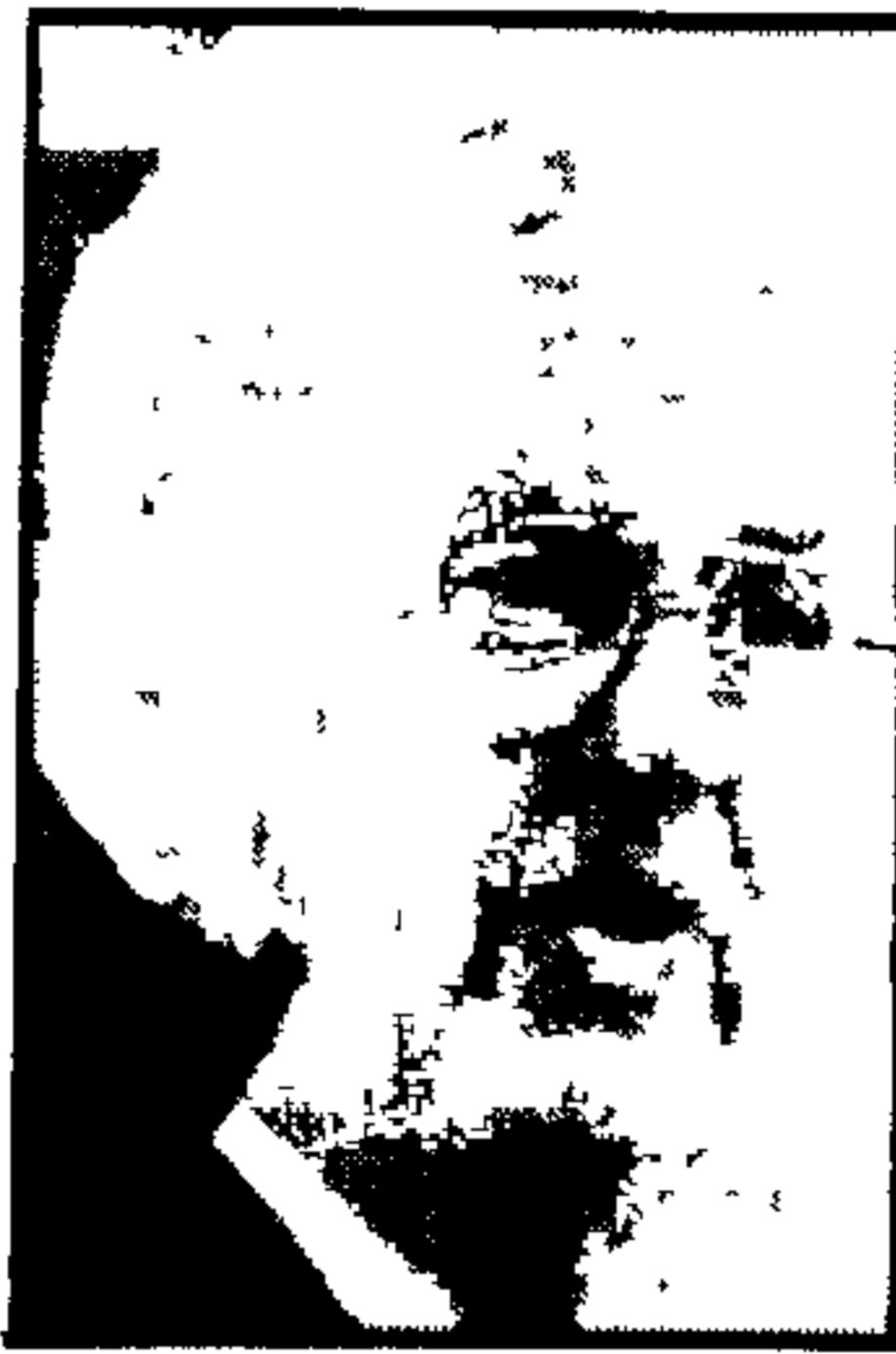
But, he emphasised that it had it been clear from the start of the project that satellite fields would have to be developed to extend the life of the plant.

If satellite fields were brought on line and decompression modules were installed to help the extraction of gas from the FA field (the official name for the site), the life of Moss gas could be extended to the year 2001.

The cost of extending Moss gas's lifespan would be about R800 million.

The life of the project could be further extended to the year 2005 if the EM gasfield also was brought on line.

Mr Hill said if the plant was moth-balled — which means it would still have to be maintained — it would cost about R1,3 billion. If the project was simply scrapped, it would cost about R650 million.



P W Botha

"The fact of the matter is that the Moss gas plant is a state-of-the-art project which cannot be wished away. It exists. To simply scrap it would be to lose an R11 billion investment.

"The situation can be compared to someone who has bought a very expensive cow.

"It would be senseless to get rid of the cow while it still gave milk.

"Moss gas produces R1,3 billion litres of products a year from gas. It saves South Africa about R700 million a year in foreign exchange.

Mr Hill said that while Moss gas needed the go-ahead from the government to extend the lifespan of the project, it was able to fund the expansions out of its own capital.

"It must be remembered that the Moss gas project has created 8 000 direct and indirect jobs.

"The uncertainty about the future of the project is playing havoc with the people working here, as their jobs are on the line."

Mr Hill said it generally was accepted that South Africa would need a new oil refinery's soon after the turn of the century if the economy showed the expected growth.

"It may then be a viable option to turn Moss gas into an oil refinery.

"This is certainly an option that may be considered. Another option would be to import condensate to produce petro-chemical products at the plant," said Mr Hill.

Two policemen charged with murder

DURBAN. — Two policemen have appeared in court in New Hanover charged with the murder of two ANC-aligned activists in the KwaZulu-Natal Midlands in 1990.

"They appeared briefly in court today and the case was postponed until November 22," said police spokesman Clifford Marion.

Sergeant William Smith and former special police constable Welcome Muzi Hlope, were arrested in September following the murder of the two activists near Wartburg.

Lieutenant-Colonel Marion said the men had pleaded not guilty to murder charges. — Reuter.

MPs say no to Mossgas

(183)

ST(BT) 12/11/95

THE parliamentary joint standing committee on public accounts has come out against plans by Mossgas to expand production and has called for an in-depth study into the future of Mossgas, including possible privatisation.

The committee on Friday refused to support Mossgas plans to invest R850-million in the development of satellite, offshore gas fields and compression equipment to extend the life of the R12-billion oil-from-gas plant.

It gave Mossgas three months to report on the study's progress, which it said should be conducted with Department of Mineral and Energy Affairs officials and independent experts.

Sources say the committee was concerned about the ability of both the Mossgas and the Central Energy Fund boards, which are being restructured, to assess the prospects of Mossgas objectively. — *Reuter*



Extra cash for Mossgas refused

Mar 13/14/95 (183)

By BRUCE CAMERON

Cape Town — The parliamentary committee on public accounts has refused to approve the spending of an additional R840 million to extend the life of the R12 billion synthetic fuel Mossgas project for another six years

In its report, the committee recommended that production at the complex be slowed until all options can be properly evaluated, including the possibility of privatisation

The committee came close to saying it did not accept the figures

presented by Mossgas and the Central Energy Fund (CEF), and said any further investment should be presented in the context of a long-term business plan

The plan should be "developed after rigorous evaluation of the existing synfuels business and of alternative business, which may make use of offshore resources and the onshore plant"

The decision follows the extensive evidence the committee received last week from the CEF and Mossgas, as well as contradictory evidence by a panel of inter-

national fuel experts

The committee has recommended that the department of mineral and energy affairs drive the process and determine alternative options for the future of Mossgas

The committee acknowledged the difficulties facing Mossgas in the absence of clear guidelines from the government, and that Mossgas and SoekorEx were "assets of potential"

The specific concerns of the committee were:

□ Analysis of key national interest issues had not been completed. This included establishing and

examining the position of all stakeholder, an investigation of local and international regulatory frameworks underlying fuels and other products, direct and indirect fiscal effect, and employment as well as multiplier effects, and,

□ The identification and evaluation of potential private sector interests, which could make the restructuring or privatisation of Mossgas possible

The committee, which acknowledged the urgency of a decision, wants a progress report by February next year

Extra cash for Mossgas refused

(183) CT (P/R) 13/11/95

By BRUCE CAMERON

Cape Town — The parliamentary committee on public accounts has refused to approve the spending of an additional R840 million to extend the life of the R12 billion synthetic fuel Mossgas project for another six years

In its report, the committee recommended that production at the complex be slowed until all options can be properly evaluated, including the possibility of privatisation

The committee came close to saying it did not accept the figures

presented by Mossgas and the Central Energy Fund (CEF), and said any further investment should be presented in the context of a long-term business plan

The plan should be "developed after rigorous evaluation of the existing synfuels business and of alternative business, which may make use of offshore resources and the onshore plant"

The decision follows the extensive evidence the committee received last week from the CEF and Mossgas, as well as contradictory evidence by a panel of inter-

national fuel experts

The committee has recommended that the department of mineral and energy affairs drive the process and determine alternative options for the future of Mossgas

The committee acknowledged the difficulties facing Mossgas in the absence of clear guidelines from the government, and that Mossgas and SoekorEx were "assets of potential"

The specific concerns of the committee were

□ Analysis of key national interest issues had not been completed. This included establishing and

examining the position of all stakeholder, an investigation of local and international regulatory frameworks underlying fuels and other products, direct and indirect fiscal effect, and employment as well as multiplier effects, and,

□ The identification and evaluation of potential private sector interests, which could make the restructuring or privatisation of Mossgas possible

The committee, which acknowledged the urgency of a decision, wants a progress report by February next year

Mossgas fate could hinge on opinion

Mungo Soggot

(183)
BD 13/11/95

GOVERNMENT was likely to check whether the private sector could do anything with Mossgas before deciding if it should pump more taxpayers' money into the scheme, sources said yesterday.

A government source said Mineral and Energy Affairs Minister Pik Botha was likely to recommend to the Cabinet later this year the negotiated privatisation of Mossgas.

Even if the R12bn operation failed to find a suitor, private sector opinion would be invaluable in determining whether government should authorise R850m to tap new fields or convert the plant.

Mossgas and the Central Energy Fund (CEF) have already spent 18 months trying to provide such analysis for Botha's office.

"If the private sector cannot come up with a commercial proposition, then the only option will be to close it down when the gas runs out in 1997," the source said.

However, the Cabinet had recently indicated it would take socioeconomic criteria into account when making its decision.

On Friday the parliamentary joint standing committee on public accounts rejected plans submitted by CEF and Mossgas management to pump further money into the plant. It called for a study to be done in the next three months with the collaboration of independent experts and the mineral and energy affairs department.

However, Botha said he would not tolerate yet another delay after waiting 18 months for the CEF and Mossgas offerings.

"We are not going to find out

anything in the next three months that we do not know already," his spokesman said.

Botha said he would submit a memorandum to the Cabinet soon, which would set out the clashing views of the CEF, Mossgas, the Mossgas monitoring panel and the public accounts committee, but he would not indicate what his own recommendation would be.

However, Botha has said he would prefer to see Mossgas privatised, and the worst case scenario would be to shut the plant if a private sector buyer could not be found and if government could not stomach further investment in it.

Mossgas spokesman Harry Hill said yesterday the plant would go ahead with its restructuring, which includes retrenching 80 people from its 1 260 staff in the first quarter of next year.

Caltex worker to appear at hearing

THE affirmative action controversy at oil multinational Caltex reaches a decisive stage tomorrow when a disciplinary hearing is held into the conduct of an employee at the centre of a row ~~183~~ 183

Last month Mr Zimele Ndlela caused a stir when he sent an electronic message on company computers denouncing its alleged lack of progress on affirmative action. Caltex media manager Mr Tony O'Donovan confirmed the action against Mr Ndlela. — Staff Reporter

CT 14/11/95

R4,5m spent to oversee Mossgas

Mungo Soggot

BD 14/11/95 (183)
GOVERNMENT has spent about R4,5m in the past year on a three-man team charged with monitoring the Central Energy Fund's proposals on Mossgas's future.

The money has been spent on private sector expertise to ensure that plans on Mossgas's future are not motivated by self-interest.

A minerals and energy affairs spokesman said yesterday the parliamentary joint committee on public accounts recommended last September that the panel plotting the R12bn plant's future be restructured to make it independent.

It appeared there were fears that the fund would struggle to reach objective conclusions about its fate "That is why these consultants had to be appointed," the spokesman said.

The three consultants appointed last November, who work for US-based Chase Manhattan, UK-based Arthur D Little and KPMG management consul-

Continued on Page 2

Mossgas (183)

BD 14/11/95
Continued from Page 1

tants in Johannesburg, make up the Mossgas monitoring panel.

The minerals and energy affairs department said the money had been paid by the fund with the authorisation of the department. He said R3,5m had gone to KPMG and the rest to the international consultants.

The panel last week rejected the fund's proposal, to spend a further R843m tapping new fields to extend the plant's life, as "flawed and incom-

plete". The plans were then thrown out by the parliamentary joint standing committee on public accounts, which called for a further in-depth study on what to do with the plant.

The Chemical Workers' Industrial Union urged government to make up its mind about the plant.

Government's options include converting the plant, putting it up for sale or extending its life.

One industry commentator said it would have been better to have the panel work alongside the fund instead of being a "very expensive watchdog".

Comment: Page 16

Afrox splits shares in bid to reach more investors

CT(BR)15/11/95

(183)

By LLEWELLYN JONES

Johannesburg — Gases, welding and health-care group African Oxygen (Afrox) yesterday announced a ten-for-one share split of the entire authorised share capital of 35 million shares

In a statement, the company said the reason for the split was to make the share more affordable and readily available to a wider range of investors, and hopefully increase the number of shares traded on the Johannesburg and Namibian stock exchanges

Afrox shares are tightly held with the international parent, the BOC Group, holding a 58 percent majority, institutions 26 percent and the remainder held by nominees, companies and individuals

The share split follows a major company

reorganisation, an expansion programme and the September year-end results — which saw inflation-adjusted earnings climb 28 percent to 503c a share.

Currently priced at R130, the Afrox share has constantly traded at a price-earnings ratio of 26 and above over the past few months

This compares with the engineering sector's price-earnings average of 15.

Royden Vice, the chairman and managing director of Afrox, said the company had not only grown and expanded its existing business over the past 18 months, but had also restructured the company, introduced an ongoing cost containment programme, developed a customer-focused divisional structure and expanded into sub-Saharan Africa.

Crime and investment don't mix well

ET (PAR) 15/11/95 (183)

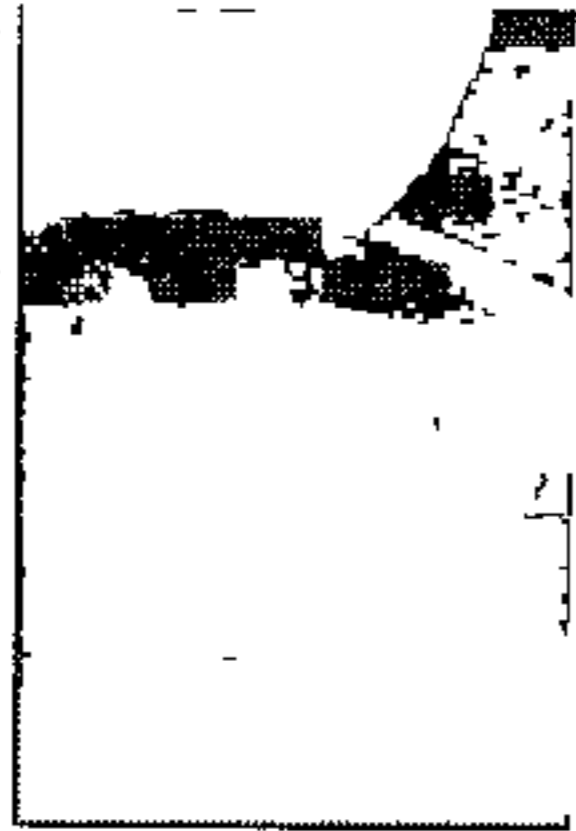
They tell me there's a bull market out there, that I should be buying shares with all the money I have, that foreign investors are piling into the JSE and that they'll be stepping up their buying programme to beef up the weighting of their South African exposure to accord with the IFC weighting indices for emerging markets.

"So I've heard, but I'm not a believer. Last week I entertained a European fund manager I took him to dinner at Sandton City. When I called for him at his hotel, he told me that an item of his luggage had been stolen from the conveyor belt upon his arrival in Johannesburg. After dinner, we went down to the basement of the Sandton complex only to discover that my car had been stolen — never mind all the hi-tech security devices.

"He caught the next plane home. His firm won't be buying any South African shares, nor will the fund managers with whom he is in regular contact."

"This crime wave certainly isn't doing us any good, but I'm told that its impact on foreign sentiment towards South Africa is exaggerated. Indeed, I've read that before the Mexican economic fiasco at the end of last year money was pouring into that country, which was then (and still is) experiencing crime levels higher than we have here."

ON DIAGONAL STREET



BY JOHN SPIRA

Overseas fund managers are being scared away from the local share market

"Perhaps so. Yet there's a difference. Mexico has traditionally been a high-crime country. South Africa hasn't. Global investors expect first world standards from South Africa. When they don't get them, they look elsewhere for a home for their money."

"Maybe crime in South Africa deters certain investors. But there's so much else to attract overseas money here that others will overlook this drawback."

"I'd like to think so. But other foreign fund managers don't agree. They ask why they should invest in South Africa when they can go to Malaysia, Korea or Indonesia, where the labour output is high, wage rates are high, the work ethic is strong, the tax regime is favourable and exchange control is absent. Finally, in those countries the crime rate is low."

"Yet many have predicted that international fund managers will be

plaguing foreign investment managers at the forefront of the thinking of local managers. I believe this is one of the main reasons why the JSE has performed so disappointingly this year.

"It is not the broad concept of the crime situation that is affecting sentiment so adversely. There's a very real and valid concern that escalating crime is hampering economic growth. It's sparking a drain of our best young brains to low-crime countries, it's costing businesses in terms of security, theft and loss of life."

"That's no way to run a country, no way to run an economy and certainly no way to run a business. The JSE is beaming the message and unless something drastic is done, the message, in the form of downward pressure on share prices, will become more strident."

"This isn't the most cheerful conversation I've had today. I feel like cutting my throat."

"I've a better idea. This government prides itself on transparency and openness. Add your voice to the growing outrage

Contact your parliamentary representative. This is a democracy. You're perfectly entitled to the lifestyle for which you've worked so hard.

"If you and millions of your countrymen act in concert, the necessary action will surely be forthcoming and the JSE would then realise its full potential."

□ □ □ □

As invariably happens, the high level of interest in Hoechst at the time of its listing has come down several notches, along with the share price. It has now settled about the 535c mark, 20c above the issue price.

With the stags now largely out of the way, I would expect the counter to reflect a firmer undertone in the months ahead.

It is rated at a small premium to the JSE's other blue chip chemical counters, but, as a leading analyst recently noted, Hoechst has everything an investor could possibly demand of a top-rate global



Hoechst has everything an investor could possibly demand of a chemical stock

chemical stock

On this basis, the share justifiably commands a more substantial

LOOKING GOOD Reinhard Traub, managing director of Hoechst, whose shares should do well in the next few months

SA's 3 vaccine manufacturers merge to remain competitive

(183) (S) Star 16/11/95

MEDICAL CORRESPONDENT

South Africa's three state-supported vaccine producers will launch a single commercial organisation next year to secure local production, reduce costs and position the country for vaccine exports.

Vaccines have been produced in the country for about a century, according to Dr James Southern, director of the new company, SA Vaccine Producers.

Southern said in a statement that the three existing South African producers, Cape Town's State Vaccine Institute, the National Institute for Virology and the South African Institute for Medical Research (SAIMR), were besieged by low-cost imported vaccines, and the ever escalating costs of local production and research.

Last year, with technical assistance of the World Health Organisation (WHO), the SAIMR and Department of Health commissioned a Swiss-based management organisation to evaluate the problems.

The findings were that SA could sustain local vaccine production if human vaccine producers merged,

set up a partnership with a leading international manufacturer, and exported as much vaccine as was used locally.

A National Control Laboratory also had to be set up to ensure the required high quality.

The findings were accepted in principle by health minister Dr Nkosazana Zuma in December 1994, and were in the process of being implemented, Southern said.

Management of the new company was in place, and staff and functions of state facilities would be transferred during 1996.

Negotiations with international producers were under way, and technology to improve production was being developed, with WHO guidance on design and quality.

The Medicines Control Council was also in the process of establishing a National Control Laboratory.

Vaccination was the most cost effective health intervention available, and SA the most appropriate African country for vaccine development, Southern concluded.

Local development would ensure products and deliveries best suited for local conditions.

Caltex worker quits hearing

THE worker at the centre of the affirmative action dispute at oil giant Caltex resigned yesterday in the midst of a disciplinary hearing

Mr Zimela Ndlela, an analyst programmer, said he walked out even before a second charge against him could be heard

"I saw that the whole system was stacked against me. The same people I had accused of racism and of hindering affirmative action were the very ones who were sitting in judgment of me," he said.

(183)
Staff Reporter, Sapa

ET 16/11/95

DEVELOPMENT — 1

Oil companies coming to town?

FM 17/11/95 (783)

Rapid growth in petrol sales — 10% a year by volume, according to Shell SA — is leading oil companies to consider more one-stop petrol, retail and eating facilities

Two proposed developments, however, have drawn the ire of local residents, who may have to find their own funds to conduct environmental impact studies (EIS)

Developer Fuelfin and a still unnamed oil firm are planning a R60m, 180 m-200 m skydeck station across the N3 with 250 m offramps on either side on road reserve across the N3 between the Modderfontein and Linksfield exits, near Rietfontein

In Bryanston, Shell has applied to rezone land for a R50m-R60m Ultra City on both sides of the N1 Western Bypass, between the William Nicol and Hans Strijdom Drive offramps. This would be built on both road reserve and residential land

While Shell's success will be determined by residents' objections, following usual town planning procedures, the Fuelfin case is not so clear cut

The development company's board of directors includes such high profile names such as Local Government Elections Task Force chairman Frederik Van Zyl Slabbert, former finance minister Barend du Plessis and freelance journalist Harald Pakendorf

While the Roads Board has given "in principle" permission to the developer to erect as many as 15 skydecks, the nature of its contract with Fuelfin is unclear. Skydeck Action Group chairman Walter Ebeling says it will meet the Department of Transport on November 24 to get clarity

Residents' major fears about the skydeck, 16 m above the motorway, concern safety

According to a council minute (May 23-31 1995), Edenvale Council executive committee has agreed "in principle" to the construction of the skydeck and the provision of essential services, provided

- Fuelfin submits an EIS to the council,
- A public meeting be held to ensure understanding, acceptance and support for the development, and
- The "specific requirements" of the Chief Health & Environmental Services, Chief Fire Officer and Services Departments be obtained before any construction is started

Pakendorf states in a letter to the *FM* "Edenvale Town Council cannot give permission for the construction of the Skydeck — the Skydeck does not fall within its jurisdiction. All Edenvale can do is to sell services to us — we have offered to pay local taxes even though we are not obliged to because we are situated outside of the

town of Edenvale. It might be true that ANC councillor Kobus objects to the Skydeck. But he has not raised objections with us and I would be surprised if an ANC-controlled town says no to about R500 000 annually in taxes, which we are prepared though not obliged to pay. Is this ANC person going to say no to job creation?"

Fuelfin, Pakendorf says, was formed specially to undertake the Rietfontein development. Its only assets are its Skydeck patent and "the signed and sealed contract" from the National Roads Board

Pakendorf says it took years to obtain these approvals. When asked by the *FM* who at the board granted them, he answers that because the board has been reconstituted, the same people are no longer there

In a letter furnished to the *FM* by Skydeck Action Group dated December 13 1994 from the Department of Transport to Fuelfin regarding "an agreement in respect of (the) proposed Randpark Skydeck" the Transport DG who signed the letter states "After its meeting held on 9 December

1994, the SA Roads Board after listening to your Mr Barend du Plessis, decided that a task team be convened to, as a matter of urgency, consider and negotiate with yourselves the following

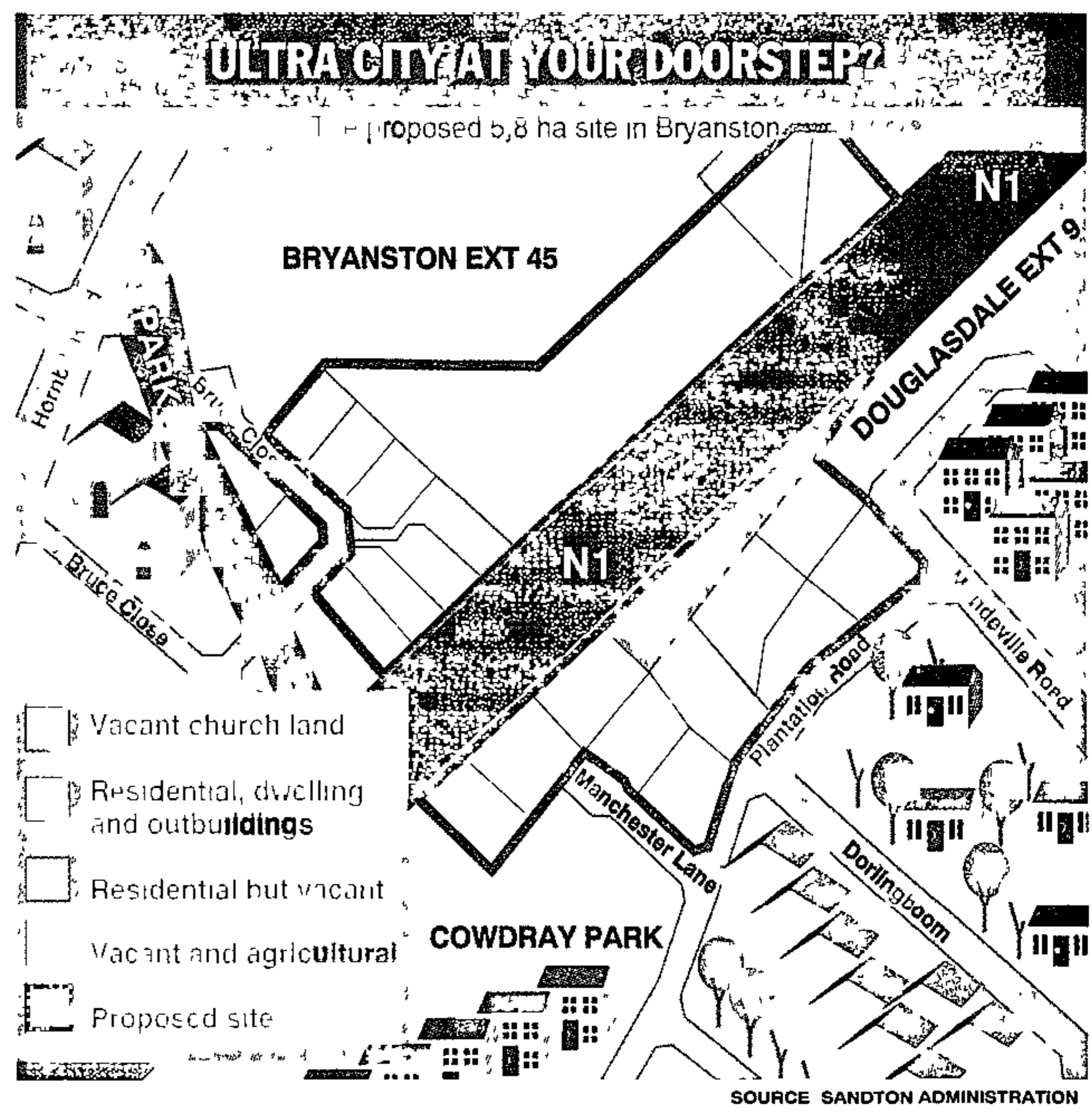
- A contract of lease for a minimum of 20 years with the option of renewal not exceeding a total period of 30 years, and
- Compensation based on the turnover of the business to be negotiated

"The board also accepted that the Linksfield development in accordance with urban standards be proceeded with subject to your confirmation that proper local authority and community liaison has taken place"

Fuelfin plans another public meeting and an EIS

Pakendorf says though no oil company is yet fully behind the scheme, it is negotiating seriously with one. The *FM* hears at least one oil company doubts the viability

Van Zyl Slabbert and Pakendorf, claims Pakendorf, were behind SA's first one-stop development in between towns, as opposed to cities. Engen's Blockhouse 1-Stop on the



P.T.O.

ENGEN

In recovery mode after plunge

Imponderables spark debate over long-term future

(183) FM 17/11/95

Engen's share price has been surprisingly resilient in the face of the oil company's disastrous results. When CE Rob Angel announced a 72% bottom-line decline at the start of the month, the share closed unchanged at R23.

It has since firmed to R25. There seems little doubt the trend will remain upward and that Engen is a recovery stock.

The question for investors now is how much of Engen's expected recovery, off the lowest level seen since Gencor bought the refining and marketing assets of the disinvesting Mobil in 1989, is already in the share price.

And though prospects are better for this financial year — at least as far as can be predicted in the volatile oil industry — will the drastically pruned and refocused Engen be able to sustain growth?

Not surprisingly, Engen management answers affirmatively. Analysts in SA and London, where Engen held a road show this week, are more cautious.

More than most other industrial stocks, its profitability is to a great extent determined by factors beyond its control. Chairman Bernard Smith lists the three most important of these as confusion and lack of progress in deliberations over the deregulation of the industry in SA, international refining margins, and the differential between the prices of heavy and light crude oil.

Whereas a group like Sasol, tariff protection aside, is sheltered to an extent from international margins by sourcing about a quarter of its operating profit from chemicals, Engen enjoys no such cushion.

There are internal operational factors which Engen can influence. Some of these, like the disappointing performance of the upgraded oil refinery in Durban (after capital expenditure totalling R1,47bn), played havoc with results. The refinery now seems back on track and capable of achieving the potential Angel says will make it the most sophisticated outside the US.

But the timing, perhaps the haste, of the upgrade must be questioned. There was some bad luck — the upgrade came on stream as international refining margins hit lows, an element which is notoriously difficult to predict accurately.

The heavy spending programme has left Engen with a mountain of debt, nearly

R2bn, more than trebling finance costs to R139m in financial 1995. This is from a company which, with the exception of marginal gearing of 13% in 1990, was cash-positive for most of the Eighties up to 1992.

Management is addressing another fundamental weakness — a portfolio of businesses heavily skewed towards refining and marketing because it lacks a secure and substantial supply of crude oil — with its intention to list upstream assets on the JSE next year.



Angel

Initially, the new subsidiary (Engen plans to retain about 60% of what will be called Energy Africa) will be too small to affect results. But access to international capital markets could ultimately allow Engen to gain a significant stake in a producing oilfield, probably off west Africa.

The listing, a strategic decision not without risk, is the type of action Engen has to take if it wants to sustain longer-term growth.

Though short-term recovery seems certain — stripping out one-off costs and assuming stable international margins and a fully functional refinery points to EPS of around 200c for financial 1996, an increase of about 170% — investors will have to consider the broader implications of the external and internal factors.

They will also have to take a view on Engen's new direction, a product of the two-year Project Discovery which, apart from slashing costs and forming separate profit centres, has shed the international ambitions in favour of becoming the dominant oil company in sub-Saharan Africa.

International margins, possibly the largest variable in Engen's profitability equation, will not offer much help in the coming year. But they appear to have bot-

tomed, so there is limited potential to slide.

Angel says declining margins compounded operational problems at the Durban refinery. In financial 1995, Engen realised an average margin of US\$4,18/barrel, compared with \$4,85 the year before.

Engen, like the rest of the oil industry in SA, is closely tied to the Singapore refining margin, which largely determines the import parity price for regulated products. Singapore margins, which showed a wide premium over northern hemisphere margins in the late Eighties and early Nineties, have since sunk to an eight-year low from surplus refining capacity in the East.

Engen's view on the margin is that, at best, it could show a modest recovery over the next year.

Part of the decision to install new technology at the refinery was based on getting a better yield per barrel from heavy crudes. The profit potential diminished as the differential closed. Once again, Engen is at the mercy of international oil supply and demand. Smith says prices of light sweet crudes dropped through an oversupply in the market by producing countries.

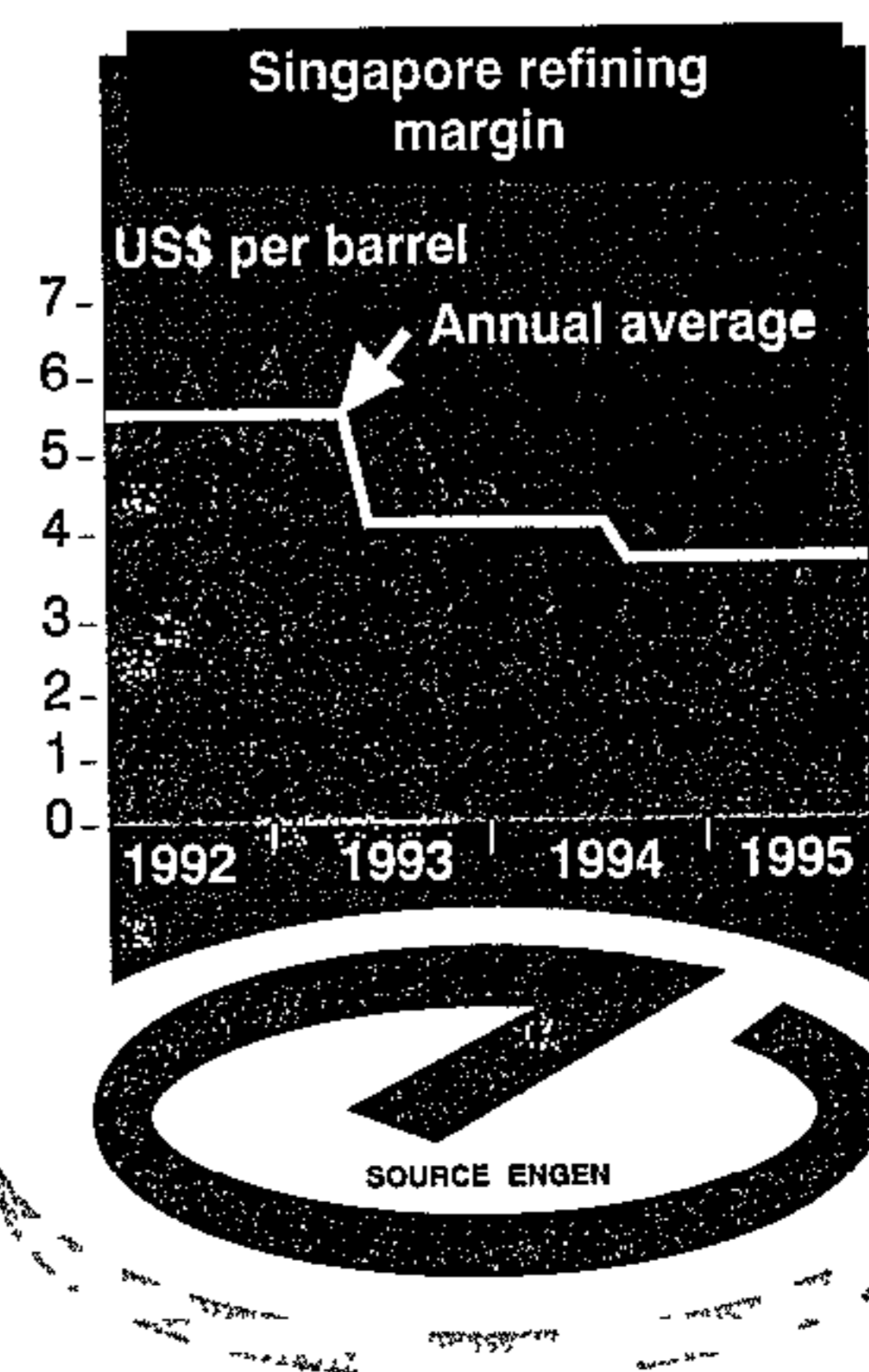
The view here is more optimistic. The differential is emerging again — over the longer term, the discount of heavy crude should be restored and, with the refinery now apparently past its operational difficulties, Engen should start to get some benefit from its large capital spending.

Engen contends the third major factor beyond its control — what Smith calls haphazard and ad hoc application of the old rules as the authorities dither on deregulation, or reregulation, of the industry — cost the group an estimated R150m.

He says the oil industry withdrew from the debate as it became clear views were so disparate that consensus would not be reached.

Angel is more scathing. "With the depth of restructuring we have gone to while the authorities keep changing the

EIGHT-YEAR LOW



rules of the game, I frankly don't care if the industry is restructured or not. Obviously, we would prefer deregulation but we now have the cost base and new culture to deal with whatever happens"

The R150m is a hypothetical number reflecting profits Engen should have made or is still to gain from proposed deregulation of the industry

It comprises R37m from changes to the IBLC formula, R23m in synfuel levy payments to Sasol, R20m which Engen is yet to receive from government for the service differential, recently increased to 0,6c per litre, and R70m from a wholesale or marketing margin which has not been adjusted for three years

The formula, calculated on return on assets (ROA), is meant to reduce the margin when ROA exceeds 20% and increase it when ROA drops below 10%. Engen's ROA has averaged about 9% this decade and is now only 1,8%. But the margin has not been increased

But much also went wrong operationally for Engen in the past financial year. Chief was a disappointing performance from the refinery. Instead of the expected increase in volumes, various problems combined to slow production, slashing exports from 6,7m barrels in financial 1994 to 3,9m, slowing domestic sales so that Engen lost market share (down from 24,6% to 24,2%) and eroding operating profit

What went wrong? The R800m phase two upgrade was commissioned last November, ahead of schedule and under budget. Apart from not getting the full benefit of the flexibility to process heavier, cheaper crudes, a planned six-week shutdown, longer than usual to implement new technology related to the upgrade, depressed throughput

Together with various teething problems related to new systems and equipment, crude throughput dropped from 1994's 30m barrels to 26m barrels. The extended shutdown, estimates refinery GM Peter Dent, cost Engen about R60m, straight out of operating profit, as 95 000 BPD were taken out of the system

Continuing power failures — 17 over financial 1995 — worsened production problems. With other major electricity users in the Durban bay area, including Mondi and Sapref, Engen is exploring solutions with Eskom and the Durban Corporation

Angel is adamant the right technology decisions were made at the refinery. Over the past three months, production has improved dramatically, running close to 100 000 BPD, near stream capacity of 104 000 BPD. Angel expects capacity of 30m barrels this year

The higher volumes, feeding into a growing economy — fuel sales usually grow 1,5 times faster than GDP — should help restore operating profit growth by as much as

30%. Market share was lost through uneconomical service stations, largely in the former townships, and through the waning popularity of the Trek brand

Though Engen continues to hold by far the largest slice of the domestic market, it started closing these uneconomical sites last year — about 125 service stations are under-performing — but only got about

are harder to forecast — is the plan to list Engen's upstream assets separately. The rump of this is Engen's 8% stake in the North Sea Alba oil field, 10% of the Bukha gas and condensate field in Oman, and 4% in the N'Kossa gas field off the Congo

Main objective of the proposed listing of the new subsidiary must be to source hard currency. Engen hopes to raise up to \$100m

through the flotation, the bulk of which will be spent, says Angel, on investing in producing oil fields in west Africa

That will partly overcome limitations imposed on upstream production opportunities by exchange controls. Though still relatively small, the enhanced opportunity for Engen to source

crude oil from its own assets will lend balance to its portfolio

It will also, says Angel, place a fairer value on the upstream assets, which he believes are now under-valued in Engen's share price. He adds it will remove the risk and cost associated with exploration and development from Engen's share price once the upstream interests have been separated

Attracting international investors to the listing seems the main motivation for this week's road show in London. But it has been preceded by a fair amount of foreign buying of the share

For local investors, will Engen's recovery be strong enough to warrant investment now? Assuming EPS does reach 200c this year, a forward p/e of about 10 times does not look particularly cheap for what is still a cyclical stock

Price gains are not expected to go much beyond R30 in the short term, which suggests better value in other industrial shares, despite many looking fully priced. With a number of stale bulls in the stock, profit-taking when the share price breaches R30 could suppress appreciation

The longer-term outlook for the share is more encouraging, despite the neutral view on international margins. Risk remains — apart from the large funds, Engen is probably a share for private investors to nibble at rather than commit large resources to — but there must be value in Engen trying to gain more control over its future

And though history may not be the perfect guide, the price has climbed strongly before when the tide turned in Engen's favour

Shaun Harris

Engen's five-year profit history

Year to August 31	1991	1992	1993	1994	1995
Turnover (Rbn)	6,10	6,56	7,72	8,45	9,00
Operating income (Rm)	379	393	578	547	270
Pre-tax profits (Rm)	421	533	594	498	131
Attributable (Rm)	286	424	480	416	116
Earnings (c)	233	275	309	267	73
Dividends (c)	116	137,5	154	154	60
NAV (c)	1,565	1,720	1,879	2,032	2,090
Return on equity (%)	11,9	16,0	16,4	13,1	3,5
Return on assets (%)	7,7	9,2	8,3	6,5	1,8

SOURCE: ENGEN

RUNNING ON EMPTY

halfway through when the process was halted through public and political pressure

With group rationalisation now having cut deep into all layers of management and the work force, closures will probably be quietly resumed

Engen has not invested in any new sites for the past 18 months. Angel says he is amazed to see competitors opening new service stations in the heavily overtraded petrol retail industry

The Trek brand will soon disappear as existing stations are converted to the Engen livery, ending the historical connection with Gencor's oil retailing arm

These are the factors that went wrong and pushed last year's results and returns to record lows (see table). By and large, they are now behind Engen

To extend growth beyond a short-term recovery off a low base, Engen is trying to ease its exposure to the volatility that characterises the oil industry

One such step is to develop its chemical business. It has been growing rapidly — now comprising 7% of turnover but 13% of operating profit — though its contribution to total profits remains small

It will be bolstered this year by the opening of a new wax blend plant. Angel says further downstream beneficiation will be explored as Engen grows its speciality chemicals

Of more consequence — though benefits

MOSSGAS

Pull the plug on Mossgas (183)

Parliamentary committee sceptical of revival plans

SA could be close to a final decision to close down the R12bn Mossgas fuel-from-gas plant, installed by P W Botha's government in the face of strongly argued and technically based opposition. The venture has been a tragic waste of public funds — both because of its high capital cost and because initial estimates of recoverable gas have proved to be woefully optimistic.

The parliamentary joint standing committee on public accounts has rejected a proposal by Mossgas management, supported by Central Energy Fund, to spend a further R850m to develop a satellite gasfield and a compression module. It should be possible to finance at least the bulk of the expenditure from surplus cash flow — R120m annually without the synfuel subsidies.

It should also be noted that Mossgas at present receives an export parity price because its output has been surplus to local demand. As demand grows, the output will be absorbed locally and Mossgas will become entitled under current arrangements to the in-bond landed cost price.

Mossgas CEO John Theo and chairman Roy Pithey argue that this expenditure would extend the life of the project from mid-1997 to 2001 and earn a sound return based on the in-bond landed cost formula applied to synthetic fuels consumed locally. Further, this stay of execution might enable Mossgas to find a private-sector buyer for the on-shore gas-to-liquid plant.

Far from producing to the hilt, both the special monitoring panel of experts recently appointed by government and the committee feel that the rate of production should be slowed down, say to two-thirds of the present rate, to eke out the gas while a final decision is reached. This would entail shutting or mothballing one synthol production line out of three.

The committee, chaired by the DP's Ken Andrew, questions the ability of the boards of Mossgas and the controlling Central Energy Fund — which supports Mossgas — to assess Mossgas's prospects objectively. The panel, instructed to assess the

venture's prospects, includes such prestigious international names as Arthur D Little and Chase Manhattan Bank. It claims the latest study is superficial and based on questionable figures. Other criticisms are aimed at the Department of Mineral & Energy Affairs — which should have done more to direct Mossgas in terms of national rather than corporate interests. Is this a way of saying SA's own version of the military-industrial complex was running out of control for many years?

While this disagreement rages, Minister of Mineral & Energy Affairs Pik Botha has finally lost patience. His latest assessment is that more studies will not help. Correctly, he has finally accepted that only government can take a decision — which is bound to attract strong opposition, whatever it is. Botha is preparing a memorandum for Cabinet evaluating the conflicting views and making a recommendation which, for the moment, must remain secret. Our best guess is that he's planning to pull the plug on Mossgas and preparing for its shutdown when existing gas reserves run out in 1997.

The committee has argued that any new proposals should be evaluated in a context which takes account of the prospects for synfuels generally, the feasibility of alternative uses for the plant and the socio-economic implications of both. The committee further justifies its opposition to additional expenditure by quoting the

initial findings of the panel that the proposals now put forward by management are superficial and based on questionable assumptions. It also claims the study presented to it by Mossgas's management was in-

complete in many respects, especially in failing to evaluate the project in terms of local and international trends, employment and effects on the Treasury.

Nor did the study identify any potential private-sector groups that might become involved in restructuring or privatisation. The panel recommended that government



Pik Botha time for decisive action



P W Botha moving force behind Mossgas

should not commit itself to further invest in Mossgas, but rather develop a long-term business plan.

Some observers, including the Chemical Workers' Industrial Union, have claimed that Mossgas's management is running the plant above capacity to accelerate gas depletion and force a decision to spend more money to prolong its life.

It's easy to answer the most important questions raised by the committee.

Firstly, prospects for synthetic fuels over the short- to medium-term are governed by the international crude oil price, which is now under pressure, and likely to stay so, until longer-term world growth mops up the potential vast surplus if Opec members run to capacity and if Iraq is allowed back into the market. If SA can continue to buy crude at \$16/barrel or thereabouts into the next century, why spend more public money (including motorists' subsidy through the Equalisation Fund) on a synfuels plant that went wrong? Sasol's case is recognisably different, because it has access to a vast resource base and its advancing technology enhances its ability to compete with crude oil on an unprotected basis.

Secondly, what are the prospects for privatisation or a private sector partner — local or foreign? When he became CEO two years ago, Theo was determined to do this. Since then, we have heard tales of miraculous mandarins from Taiwan and ge-

nies from Saudi Arabia who were going to take leaky Moss gas in tow. Despite expensive viability studies, they have all walked away. So, we should remember, did Gencor, which held a R30m option (now the subject of litigation) to take a substantial stake. Gencor had taken over management earlier, when things started to go wrong during the construction phase.

Among the possibilities that Theo has already sketched out are the expansion of the synfuels plant and its conversion into a conventional oil refinery large enough to compete internationally — say 100 000-120 000 barrels of crude oil intake a day. Another bright idea was to reduce the gas throughput to a third and convert it to methanol, which has recently been in strong international demand. Yet another suggestion was to create a naphtha or gas oil cracker to produce ethylene and aromatics as a new local source of chemical feedstocks. Theo argues that, between 2001 and 2004, the SA chemical industry will require additional feedstocks, and if the Moss gas plant is still operational then, it could be the nucleus.

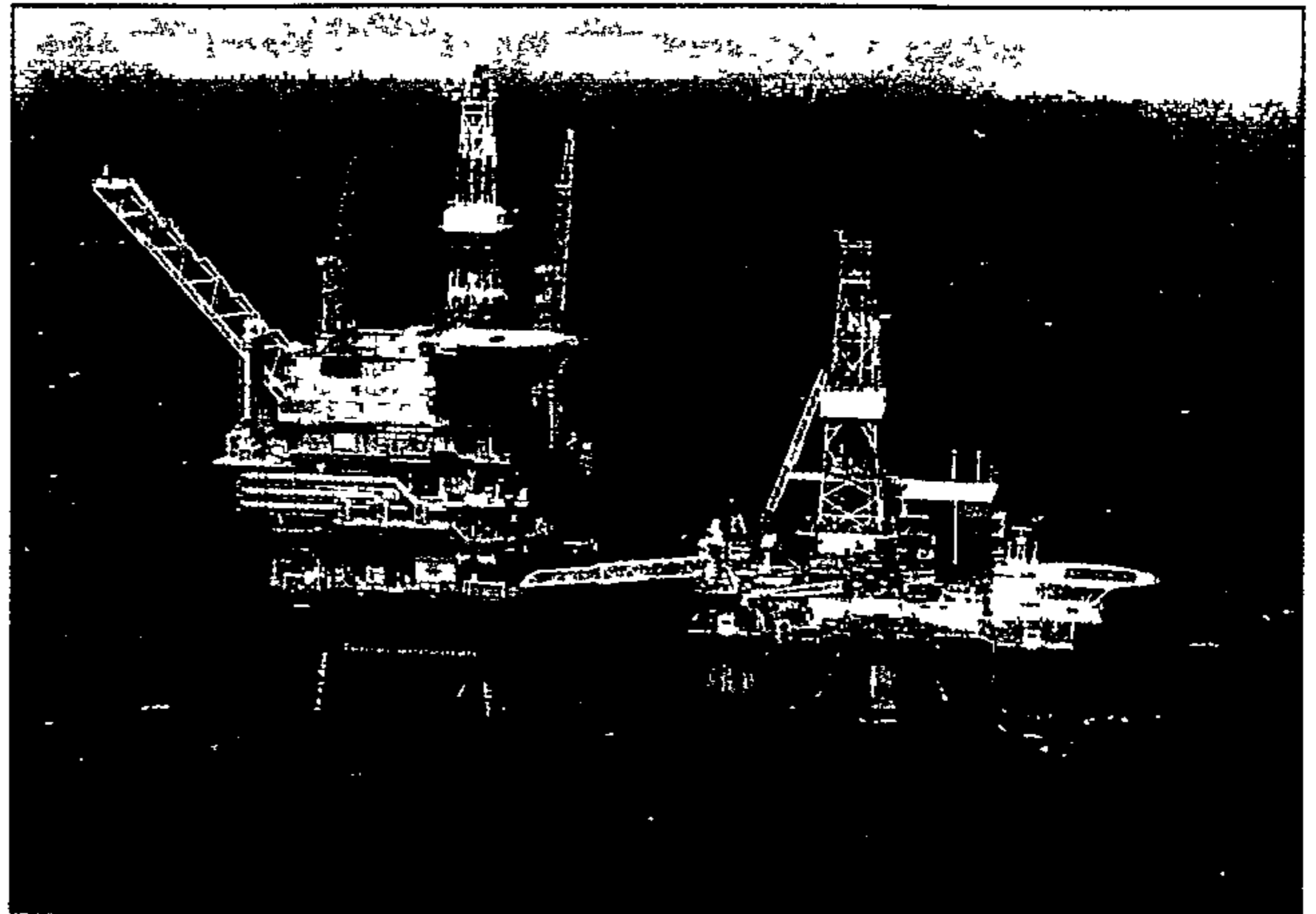
Yet another technical possibility is to run the plant on imported condensate (it was designed to run on a proportion of condensate as well as gas). Theo himself concedes that the price of condensate today is some \$5/barrel above the price of the conversion plant's equivalent synthetic condensate destined for final conversion to petrol and diesel. Theo has also argued that the "basic utilities" of the plant (the availability of a developed site, power, steam and a trained labour force) would have a substantial intrinsic value.

Despite the optimistic words of the panel, nothing has materialised in the two years of Theo's tenure despite his best efforts. A decision to close in 1997 would still leave 18 months to find a taker. But this is unlikely, one reason being a considerable world surplus of refining capacity. Who, in this situation, wants a small, single purpose plant built in a remote location on the Western Cape coast?

The committee's third main point — socio-economic considerations — needs careful analysis. A reflexive reaction of socialists is to fret about loss of jobs when an archaic or failed venture is to be closed. This is a misunderstanding of the economic process.

The costs of public money to be spent to prop it up are likely, indirectly, to cost more jobs in the form of opportunity cost — the profitable new ventures that would have been started if the overall costs of doing business had been unencumbered by financial transfusions for doomed enterprises. This type of thinker should also ask himself how many jobs the wasted R12bn could have created if applied on private-sector principles of profitability over the years.

Linked to this point is the cost of shut-



The Moss gas rig . . . soon to be redundant

down, including redundancy payments. These will have to be faced anyway — a few years later if the Moss gas extension plan goes ahead. Here is an important task for the panel — to reconsider in-house estimates of these costs (of R300m) to see whether zeal to keep the plant going at all costs has led to their conscious or unconscious exaggeration.

The decision on Moss gas is not the only one relating to synfuels policy. There is also the sharp disagreement on phasing out Sasol's assistance — which runs at some four times that for Moss gas and now exceeds R1bn a year. Perhaps we need to clear the decks of the synfuel plant without a resource base and then consider, in a more uncluttered way, the case of the plant that does have a resource base.

How did it come about that so much money was squandered by what is still essentially a poor country? The answer is perfectly clear: it was the last-ditch effort to preserve white supremacy under the Nationalists, dignified by the slogan of total onslaught.

And there was one politician who must assume most or all of the personal responsibility — P W Botha. In the far-off days of the late Seventies and early Eighties, Opec was at its peak strength and oil on the spot market briefly touched \$40/barrel. SA was in so horrible a position — due to oil embargoes — that it had to pay spot market prices.

Strenuous offshore exploration efforts directed at liquid or gaseous hydrocarbons had identified what Soekor claimed were adequate supplies of gas to feed a synthetic fuels plant for its economic life of 25-30 years. It is claimed that estimates of the recoverable gas were confirmed by a reputable international oil and gas consultancy

This is another task for the panel — to re-evaluate the procedures for establishing reserves of recoverable gas. It has been suggested that it was not so much estimates of the gas in place that were too high, but evaluations of the permeability of the gas-bearing strata, so it was recoverable gas which lagged.

Yet another aspect of Moss gas is susceptible to sharp criticism — the decision to locate a further synthetic plant in Botha's Western Cape home ground, far from major markets and at colossal expense. If SA really had to have another tranche of synfuel capacity, it would have made more sense to further extend Sasol, on top of the coalfields and near to the Gauteng marketplace.

The *FM* can claim that it argued strenuously at the time against the construction of the on-shore plant, pointing out that the gas could be used as such as a premium piped fuel without spending more money except on gas production and pipeline facilities. This advice, if followed, would have saved two-thirds of the total cost.

The plant constructed used the Sasol synthol conversion process, modified to the extent necessary to use natural gas and not coal as the feedstock. In the intervening decade and more, Sasol has achieved further notable advances in the synthetic process, particularly the substitution of a fixed fluidised bed reactor for the circulating one then operational.

Sasol now says these advances make the equipment installed at Moss gas obsolete and that it would not be prepared to buy it back. Perhaps this is the saddest epitaph of all for P W Botha's Folly.

SA should know soon enough whether P W Botha does propose to bring down the guillotine on this tragically misconceived venture.

NRB posts mediocre half-year results

BY SHIRLEY JONES

Durban — Lagging behind the rest of the banking sector, New Republic Bank posted fairly pedestrian results for the six months to September this year.

Maintaining its dividend at 7c a share, the bank saw pre-tax income increase 16,3 percent to R8,6 million (R7,4 million) and income attributable to shareholders inch up 8,9 percent to R7 million (R6,4 million).

However, earnings a share decreased slightly to 24,1c from 25,9c

on a higher weighted-average number of shares in issue.

Net interest income was down to R30,2 million from R31 million and total income dropped marginally from R36,9 million to R36,7 million.

This comes against a background of considerable growth in capital and assets over the past few years.

Bad and doubtful debts were reduced slightly to R5,9 million, representing 1 percent of advances on an annualised basis. The group's general and specific debt provisions carried forward were R15,6 million, or 1,3 per-

cent of gross advances.

Advances showed no material increase because of the bank's policy of containing growth in this area during the upgrading of systems, concentrating on improving the quality of advances and the phasing out of core local trade finance as an advances product.

However, managing director Mac Mia said the group was in the grip of a rigorous rationalisation programme. He said the upgrading and rationalisation of systems would usher in further growth.

Engen optimistic over Congo wells

BY CHARLOTTE MATHEWS

Johannesburg — Engen Exploration (Congo), a wholly owned subsidiary of Engen, has reported positive results from the oil well Moho Marne 1 in the *haute mer* exploration permit, it said yesterday.

An analyst, who asked not to be named, said the find looked promising and could be positive for the company's oil exploration arm. Engen announced in August that it planned to list its oil exploration and production assets separately.

According to the analyst, the well tests at Moho Marne 1, which showed flow rates of 3 500 barrels a day and 2 200 barrels a day on two levels, were significant in relation to Engen Exploration's other fields. The proximity of this field to the Nkossa field, 15km eastwards, would also enhance its viability.

Engen said further work would be necessary to evaluate the importance of the discovery. The permit is operated by Elf Congo, which has a 51 percent stake. Chevron Overseas holds 30 percent, Hydro-Congo 15 percent and Engen Exploration (Congo) 4 percent

Lonrho Sugar lifts attributable profit 29%

BY CHARLOTTE MATHEWS

Johannesburg — Lonrho Sugar of Swaziland, which is 94 percent owned by Lonrho International, lifted attributable profit 29 percent to 86,7 million Emalangeni (R86,7 million) in the six months to September compared with the same period last year, in line with forecasts.

The company has changed the basis of its accounting and restated the comparative figures. Previously it reported interim results at half the projected profit for the full year.

The directors said the seasonal nature of the group's business meant that most profit was earned in the first half.

In the second half of the financial year annual production was completed and canelands and sugar factories maintained for the next season.

Total turnover rose by 29 percent to E540,8 million on which profit before depreciation was 36 percent better at E216,8 million.

On earnings of 72,5c (56,4c) a share, an interim dividend of 19c (13c) was declared.

The directors said there had been a substantial improvement at Sucoma in Malawi where production was higher and good average prices were achieved, while the Dwangwa estate, also in Malawi, continued to produce excellent results.

The Glendale estate in South Africa was affected by the drought while in Swaziland, unusually cold and dry conditions during the growing season made it impossible to repeat last year's record season.

Both Ubombo and the Mauritan estates improved their performances, aided partly by higher average prices.

The current financial year should show a continued growth in earnings over last year.

Higher production in Malawi should compensate for lower out-turns at Ubombo.

High average prices are expected to hold for the rest of the year owing to the new "special preferential sugar" quota being delivered to the European Union, in addition to the normal Africa Caribbean Pacific's quota entitlements from Malawi, Mauritius and Swaziland.

Accident insurance deficit more than R4bn

Transport dept proposes new levy on petrol

BD 20/11/95

(183)

Mungo Soggot

TRANSPORT Minister Mac Maharaj is proposing slapping an extra 3c/l onto the petrol price to help prop up the beleaguered Multilateral Motor Vehicle Accidents fund for accident victims

The proposal, contained in a departmental document, is to be submitted to the Cabinet on Wednesday.

A source close to the department said the document indicated the department was keen to push the increase through as soon as possible.

It also proposed a 2c/l increase on the levy on the diesel price.

The document had said the cumulated deficit on the fund was more than R4bn on April 1, and that the deficit for the year was heading for R600m, the source said.

Fuel industry sources said the move was likely to coincide with a drop in the petrol price due to international oil price movements, which would cushion the blow to motorists.

The basic fuel price, which includes the fund's levy and other taxes, is adjusted on the first Wednesday of every month to reflect international price trends. The latest Central Energy Fund figures show that if exchange rates and international oil prices remain at their current levels, the December adjustment, without the additional levy, would amount to 3,5c/l.

The petrol levy for the fund stands at 9c/l and the diesel levy is at 5,8c/l.

Multilateral Motor Vehicle Accidents fund CE Willem Swanepoel told the parliamentary joint standing committee on public accounts earlier this month the fund was a "sitting duck for insolvency" and called for increased funding and a capping of claims.

He told the committee the fund had had a negative cash flow in September and expressed hope that Maharaj would raise the levy as an interim measure to save the fund.

The fund has been criticised widely for mismanagement, and was dubbed a "bureaucracy-gone mad" by senior counsel Stephan du Toit in court earlier this year. He said the commission of inquiry into the fund by Judge David Melamet in 1992 had found it to be in a "disastrous state" and had recommended it cut back its operations.

Swanepoel told the parliamentary committee he was reviewing the way the fund worked in a White Paper which would explore the possibility of capping claims.

SA Chamber of Business economic policy director Ben van Rensburg at the weekend questioned any intention to push through the increase now and not in the Budget as it was a taxation issue.

Continued on Page 2

Fuel (183)

BD 20/11/95

Continued from Page 1

The proposed increase to the basic fuel price — which will raise the petrol levy to 12c/l and the diesel levy to 7,8c/l — follows the increase in the retail price margin in September, which was also timed to coincide with a drop in the fuel price caused by lower international prices.

One industry source dubbed government's decision to adjust the basic fuel price when the monthly change to the fuel price was downwards as a "pretty devious" move.

The fund has also come under fire for basing cries of insolvency on what it

calls its "deficit".

Drive Alive, a national accident victim action group, told a conference on the fund organised by the parliamentary portfolio committee on transport that, as the fund was a "pay as you go" operation, the size of what it called its "deficit" did not affect its ability to pay out claims.

The action group also expressed concern that the fund was handling about 50% of all claims, instead of leaving it to insurance companies as suggested by the Melamet commission.

Malcolm Lyons of Malcolm Lyons & Munro, an attorneys' firm specialising in accident claims, welcomed the proposed increase which was in line with inflation. There had been no increase since April 1993.

Petrol depot workers start go-slow over wages

Star 21/11/95

(183)

Oil giant Shell, already under international pressure over its involvement in Nigeria, faces further headaches after workers at some of its Gauteng petrol depots staged go-slows to press home wage demands

Petrol dealers claimed yesterday deliveries to garages had been delayed over the past four days after

workers at Shell's Alberton depot had gone on a go-slow. Other depots had been hit by sporadic go-slows.

Chemical Workers' Industrial Union spokesman Meshack Ravuku said yesterday he was not aware of any go-slows, but added workers were angry over drawn-out wage negotiations.

Shell spokesman Koosum Kalyan said yesterday she was not aware of any go-slows at the company's depots.

The union is demanding a 13% pay hike while the company has offered 10%. The parties will hold a conciliation board meeting on December 1. — Labour Reporter

Shell is the villain once again with decision to stay in Nigeria

CT (BR) 21/11/95

(28) (183)

This is the first of a two-part series dealing with the accusations by environmental campaigners and politicians that Shell is responsible for the damage inflicted on the Niger delta over the past 40 years and who are demanding that it pulls out of Nigeria

By KIRSTIE HAMILTON

London — Security at the Shell Tower, an ugly 1960s tower block on the south bank of the Thames in London, was so tight last week it squeaked — with good reason

For the second time this year Shell has become the corporate bad guy in the minds of thousands of customers. Its decision to push ahead with a £2.6 billion investment in a Nigerian gas plant days after the Nigerian government executed Ken Saro-Wiwa and eight other human rights workers caused outrage

Last Saturday the firm was the target of demonstrations at petrol stations around Britain. Coming close on the heels of Shell's climb-down over the disposal of the Brent Spar oil rig, the furore over Nigeria has raised public consciousness about Shell's activities to the highest level for years

All this attention is deeply unwelcome to a company not comfortable in the limelight. Until recently, those who bothered to have an opinion would have described Shell as a huge but essentially faceless company with an Anglo-Dutch structure that defies

comprehension and a corporate culture resembling a well-paid public service. Most outsiders had only the dimmest perception of how the firm worked, but most would have banked on Shell being a good corporate citizen

According to many, that description is accurate. But environmental campaigners, politicians and the Ogoni Community Association, the group Saro-Wiwa founded, tell a different story. They maintain that Shell is responsible for the environmental damage inflicted on the Niger delta over the past 40 years and that it should pull out of Nigeria

Members of the European parliament voted to press for an oil embargo against Nigeria last week, and will push for sanctions. Although oil sanctions are not on the agenda of the European Community foreign-affairs committee when it meets tomorrow, it will consider an arms ban and the extension of visa restrictions

The battle and the publicity generated have instilled fear in the hearts of other oil producers and other multinational companies. Customers and investors are increasingly demanding higher

standards from the companies they deal with. And those that do not match up are being penalised

Shell has acknowledged the need to consider more than just profit in a fightback campaign it launched last Friday. "If we are investing in Nigeria you have the right to know why," say its full-page press advertisements. So far, the City has remained unmoved by the fuss, and Shell shares climbed 50.5p to 787.5p last week.

But brokers report that many small investors were selling Shell, and some bigger investors, such as charities, are reconsidering their holdings. Shell is at least safe from the wrath of the ethical-investment trusts — none would have had it in their portfolios anyway

While it remains a smaller-investor issue, Shell can withstand the pressure. But if campaigners whip up a product boycott, as the Germans did over Brent Spar, big investors will start to get nervous

Calls this weekend from the ANC for a ban on Shell will unsettle the City. Shell's claim to be non-political has not prevented it from forming a close relationship with the ANC, and Shell has a big business in South Africa. Losing friends like the ANC will hurt

□ The second part of the article will look at Shell's history in Nigeria and the rationale behind its decision to push ahead with its liquefied natural gas project.

Cabinet to decide on Moss gas sale

Mungo Soggot

MINERAL and Energy Affairs Minister Pik Botha would approach the Cabinet today for permission to put Moss gas up for sale to the private sector, government sources said yesterday.

Botha's memorandum on the plant's future — which will be submitted to the Cabinet committee on economic affairs — follows more than two years of deliberation on the plant's future.

Botha will also make a decision on whether or not to give Moss gas management the go-ahead to pump R700m more into the project to tap new gas fields.

During an interview yesterday Botha declined to say what he was recommending to the Cabinet, but said he favoured exposing Moss gas to private-sector scrutiny.

He said that if permission was given to access the new fields, it could enhance the value of Moss gas and help to woo a private-sector buyer.

On the other hand, some potential buyers would want to take the decision themselves on whether or not to tap the fields.

"What is important is that we test the market. In my opinion we must find out if there are interested buyers. The process of test-

ing the market will take about six months," he said.

He said a rapid decision was necessary as Moss gas' current gas fields were due to run out at the beginning of 1997.

"The more the gas runs out, the less the resource will be worth and the smaller the price will be."

The Central Energy Fund, which manages the Mossel Bay plants, has said that the sale of Moss gas would bag — at the most — R2,5bn. The plant has so far cost R11bn.

Earlier, while closing the national energy policy summit in Pretoria, Botha had accepted the summit's proposal to create a national energy policy advisory board, made up of experts and "stakeholder representatives".

The summit also called for more clarity on the roles of the institutions involved in the energy sector — various levels of government, energy parastatals, and various other councils and boards.

Summit delegates recommended a review of the fiscal allocations for energy to bring them into line with new priorities. They noted that past energy policies had focused on energy security issues and had not adequately addressed the issue of what access most SA people had to basic energy.

BD

#22/11/95 (183)

Plastall's earnings lift Winhold

(183)

By CHARLOTTE MATHEWS

Johannesburg — An improved performance from Plastall, a polythene manufacturer, counteracted almost unchanged profit from Inmins, a mining and industrial supplier, to lift holding company Winhold's profit by 117 percent to R3,9 million in the year to September compared with last year.

Bob Wenteler, the chairman of Winhold, said the group had gone through a difficult phase with years of cost cutting, efficiency improvements and legacies of the past to deal with.

Finally, management could concentrate on constructive ideas to improve profitability.

Winhold's turnover rose 16 percent to R253,4 million on which operating income was 41 percent higher at R9,1 million.

Although net financing costs rose, the tax rate dropped to 11 percent from 17 percent previously.

There was an extraordinary goodwill write-off of R812'000, rising from the finalisation of the acquisition of Turncliff Mining Group by Inmins.

Earnings a share were 6,0c compared with 2,8c previously, but the dividend was passed.

Unchanged

Inmins reported almost unchanged earnings of R1,4 million on turnover, up 11 percent to R179,4 million.

Although operating profit was down, this was made up by a lighter interest bill.

Inmins also passed its dividend as the directors said the aim was to grow the group, improve its gearing and ensure long-term growth in shareholders' wealth.

Wenteler said the downturn in the gold mining industry, which undertook little capital expenditure owing partly to labour productivity problems, had little impact on Inmins because it was not a major part of the business.

Activities in the industrial, coal and platinum mining sectors had performed quite well.

The group was looking at spreading its activities more widely in the industrial sector and this could involve acquisitions.

Winbel, which owns 61 percent of Winhold, reported earnings of 4,5c (2,1c) a share on attributable earnings of R2,4 million (R1,1 million).

State fuel industry set for shakeup

CT(BA) 23/11/99 (183)

Critics say Sasol's synthetic fuel operation and the Mossgas project are relics from the past that are overdue for change

By JOHN SODERLUND

Johannesburg — The synthetic fuel and oil-from-gas industry is preparing for a radical shake-up as the government abandons its former protectionist role, officials say.

Yesterday, a Cabinet sub-committee heard a recommendation by Mineral and Energy Affairs Minister Pik Botha that the state-run Mossgas should be sold.

Botha has also called for an R850 million capital injection into the project, which to date has cost an estimated R12 billion. By December 6 the government must decide whether privatisation can breathe life into the flagging project.

Botha says the investment will extend the life of Mossgas's gas fields beyond their February 1997 limit, enhancing its value and helping to entice a private-sector buyer.

But his view is scoffed at by many, who flinch at the idea of ploughing more cash into what they believe is an inefficient relic of the old order. It will cost R650 million to close down the plant — R1,3 billion to mothball it.

Debate is also raging over how far and how fast the government will cut Sasol's subsidies. Analysts say the eventual withdrawal of hundreds of millions of rands from the two plants is inevitable.

"Whether it's two years or four years is not really a material difference — but these subsidies will disappear," says Mike Schussler, an economist at Transnet.

"We're seeing a structural change throughout the economy. Why should one industry continue to receive subsidies when everybody else is having to learn to do without?"

Mossgas and Sasol tariffs are collected from motorists through a levy of 9,4c on each litre of fuel sold.

Finance Minister Chris Liebenberg was reported during a recent Budget debate to have suggested slashing Sasol's tariff protection from the R1 billion it received in the year to June 25 to about R500 million next year.

This goes beyond the recommendations in a report by consultants Arthur Andersen which suggest an effective reduction in Sasol's subsidies to R777 million next year, falling gradually to zero by its 1999/2000 financial year.

The South African Petroleum Industries Association objects to the report, saying Sasol will remain profitable without the subsidy.

Exclusion

Mike Ray, an analyst with stock-brokers Anderson Wilson and Partners, says the removal of Sasol's subsidies is likely to be part of a package. This could coincide with Sasol's phased entry into the retail market, from which it has effectively been excluded since its inception.

A senior government source who would not be identified said the trade and industry department has looked at an import duty on crude to replace Sasol's subsidy.

Another suggestion is the creation of a national oil company by rolling together Sasol, Mossgas, the state-owned Central Energy Fund and the private oil company Engen.

But the department's suggestions were probably "non-starters," said the source, largely because of the vociferous opposition which would come from the private oil companies. — Reuter

Government may pull the plug on synthetic fuel 'white elephants'

(183) ARG 23/11/95

SOUTH Africa's synthetic fuel industry, a throwback to the apartheid era, is poised for a radical shake-up as government abandons its former protectionist role, officials have said

Mineral and Energy Affairs Minister Pik Botha will recommend to a cabinet sub-committee that it hang a "for sale" sign on state-run oil-from-gas producer Mossgas, they said.

By December 6 government must decide whether or not privatisation can breathe life into the dying white elephant

It also has to evaluate the minister's call for a further R850 million investment in a project to tap new gas fields for the plant.

Mr Botha says the investment will extend the life of Mossgas's gas fields beyond their February 1997 limit, enhancing its value and helping to entice a private sector buyer.

But his view is scoffed at by many, who flinch at the idea of

ploughing more cash into what they believe is an inefficient R12 billion apartheid relic.

It will cost R650 million to close down the plant — R1,3 billion to mothball it.

Debate is also raging over how far and how fast government will cut the subsidies enjoyed by privatised sister synthetic fuel producer Sasol, which makes oil from coal.

Mossgas and Sasol were established to beat sanctions against South Africa during the apartheid years

Analysts say the eventual withdrawal of hundreds of millions of rands from the two plants is inevitable

Mossgas and Sasol tariffs are collected from motorists through a levy of 9,4 cents on each litre of fuel sold

Finance Minister Chris Liebenberg was reported to have suggested slashing Sasol's tariff protection from the R1 billion it received in the year to June 25 to around R500 million next year. — Reuter

AA opposed to proposed hike in fuel levy

Mungo Soggot

THE Automobile Association (AA) yesterday questioned the transport department's proposal to increase the fuel levy feeding the multilateral motor vehicle accident fund, repeating its call for its revamp

The association, a long-time critic of the fund, also said it would have been better to have waited for the fund's annual financial results and to leave the

decision of levy increases to the Budget next year.

Transport Minister Mac Maharaj is expected to approach Cabinet next week to authorise an increase in the petrol levy to 12c/l from 9c/l and an increase in the diesel levy to 7,8c/l from 5,8c/l. A departmental document pointed to the fund's R4,1bn deficit as the reason for the proposed hike.

The AA said the deficit should not be used as a justification for the hike.

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that patients want at prices that are affordable now and in the future"

Historically, government-imposed price controls have seldom held down drug prices. Limited drug lists in Australia, New Zealand and Canada saw drug manufacturers close down within five years — a spectre SA can ill afford given the potential loss of a highly skilled workforce that numbers around 17 000 — excluding related and dependent jobs.

Especially contentious is the proposed extension of an essential drug list for public facilities to the private sector. Put simply, government now buys 3 000 drugs for State facilities from the private sector on tender at prices that average a tenth of private-sector ones, largely because private prices cross-subsidise these large discounts.

Denying any cross-subsidisation takes place and insisting that State prices are still high by international standards, the report proposes that the State reduce its purchases to about 500 drugs — to achieve greater economies through increased volumes.

But the report also proposes that government extends this essential drug list to the private sector at cost — a move that would arguably raise the cost of State drugs.

The report also proposes that "non-governmental organisations and parts of the private sector" (medical schemes) be encouraged to buy drugs through the State tender system — a move that would effectively make the State the sole purchaser of all drugs. Such thinking flies in the face of acceptable international competition policy.

Though the Pharmaceutical Manufacturers' Association (PMA) meets this week to consider the implications of the latest proposals, an association policy paper suggests

there is an urgent need to address the billions of rand lost annually through theft and fraud at State institutions.

Regrettably absent from the latest draft is the earlier Broomberg/Shisana recommendation that accepted that any legal person could own a retail pharmacy — a move that would pave the way for big business, medical schemes and private hospitals to own retail pharmacies, ending the privileged position enjoyed by pharmacists.

The recommendation was also made by the Browne and Melamet commissions of inquiry and is supported by the National Association of Private Hospitals.

PHARMACEUTICALS

Kiss of death

(183)
FM 24/11/95

The multibillion-rand pharmaceutical industry could soon be out of business if government pushes ahead with plans to regulate marketing, introduce price controls, limit drug lists and force generic substitution.

But the proposals, contained in the latest version of the Broomberg/Shisana report on a national health system might do little to control overall health-care costs or ensure universal access to quality medicines.

The report's proposed drug policy is riddled with contradictions. Says Wits economics professor Duncan Reekie: "While government claims it wants to ensure an adequate and reliable supply of safe and cost-effective drugs of acceptable quality, it insists that a limited number of drugs must be purchased at the lowest possible price in the public and private sectors."

"Government should rather seek to ensure a supply of drugs of the quality and quantity



Reekie quality, quantity and affordability the answer

SENTRACHEM

Growing speciality side

Activities: Develops, makes and trades in chemical products

Control: Sankorp 33,6%

Chairman: A S du Plessis MD J L Job

Capital structure: 172m ords Market capitalisation R2,49bn

Share market: Price R14,50 Yields 2,4% on dividend, 8,5% on earnings, p e ratio, 11,8, cover, 3,5 12-month high, R18, low, R13 Trading volume last quarter, 3,5m shares

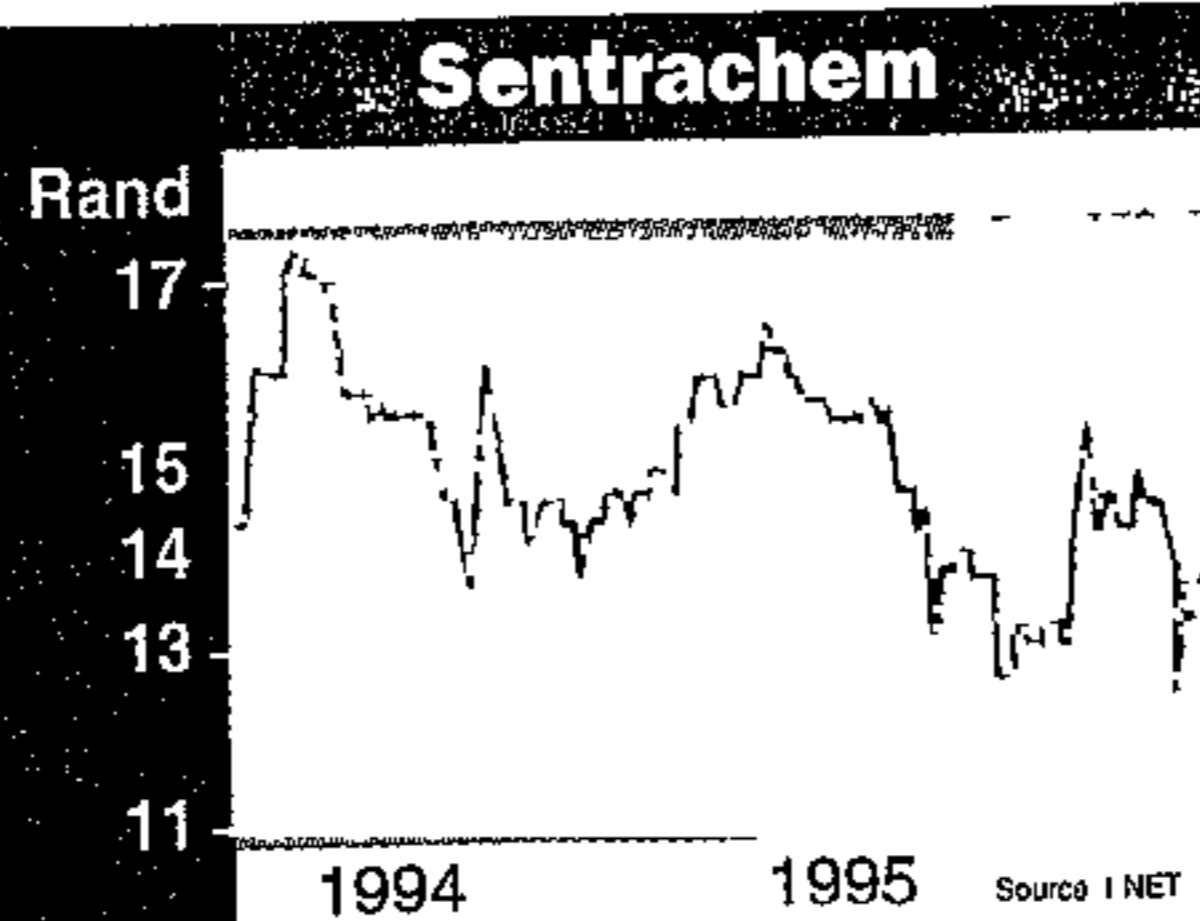
Year to August 31	'92	'93	'94	'95
ST debt (Rm)	102	181	196	416
LT debt (Rm)	366	360	244	323
Debt equity ratio	0,49	0,43	0,32	0,33
Shareholders' interest	0,38	0,39	0,44	0,39
Int & leasing cover	2,9	2,5	4,5	6,0
Return on cap (%)	10,5	9,3	9,0	9,4
Turnover (Rbn)	2,43	2,62	2,80	3,75
Pre-int profit (Rm)	220	212	249	335
Pre-int margin (%)	9,0	8,0	8,9	8,9
Earnings (c)	62	75	91	123
Dividends (c)	20	24	28	35
Tangible NAV (c)	521	605	671	715

Firm volume growth and a strong performance from most group companies — in particular the reshaped NCP and joint venture Safripol — underpinned Sentrachem's sound results. But most of the interest and intrigue was overseas.

The intrigue is in an extraordinary item which, though it nets out as a profit of R1,3m, includes an R80,5m provision "against unauthorised advances". That nearly wiped out R72,9m profit on the disposal, closure and write-down of businesses and investments and tax relief of R8,9m.

The provision refers to the widely publicised unofficial loans granted by William Bergh, former CE of Sentrachem International, to Adriatic Tankers, a shipping company long associated with Sentrachem.

MD John Job says in the annual report that Sentrachem, on his recommendation, has provided fully for potential losses. What has caused confusion is why the fig-



ure has grown from the original US\$15m (about R54m) disclosed with preliminary results to the R80,5m shown in the annual report.

Job says only R50m was an unauthorised loan. The remainder were normal commercial transactions with the shipping company provided before Sentrachem realised it was in financial trouble. Job says a programme is in place to recover these funds about R10m of which has been recouped.

The other offshore event was the acquisition, for \$156,5m, of US-based Hampshire Chemical Corp. Effective after year-end, the acquisition is not reflected in financial 1995's accounts but Job says it will add about R800m to turnover this year and contribute significantly to earnings.

As a strategic investment to extend Sentrachem's international geographic reach and refocus on less cyclical speciality chemicals, the acquisition is difficult to fault. Analysts believe it could lend a more defensive quality to Sentrachem's share and possibly help rerate the stock as more of a higher premium, speciality chemicals investment.

The question was about financing the deal, and on this the annual report provides useful disclosure. Sentrachem raised about \$30m by selling some overseas investments. The rest of the purchase price has



Sentrachem's Job international chemical industry will remain buoyant

been raised through offshore loans, bearing interest at 2%-2,5% above Libor. Most of a syndicated loan of \$110m effectively carries fixed interest rates. It is intended to re-finance part of the foreign debt through an international equity issue when market conditions allow this.

Apart from Hampshire feeding into results this year, Job believes the international chemical industry will remain buoyant (*Fox* October 27) and that the local economy will continue to grow. Both will benefit Sentrachem.

Though there may be another year's good growth in commodity chemicals, the complexion of Sentrachem's portfolio — backed by a R750m capital spending programme over the next three years — is changing.

The group is increasingly shifting towards higher-value speciality chemicals and international trade, not only through Hampshire but also Sanachem, which exports nearly 75% of its production.

Exports accounted for 20% of turnover last year, making Sentrachem a net earner of foreign exchange. Job believes the target of 25% of turnover should be achieved by financial 1997 or 1998.

For a cyclical share, a p e ratio of 11,8 is probably fairly priced. EPS growth is expected to top 30% this year.

But the rating is not yet reflecting the growing speciality chemicals side of the business. Investors will want to see Sentrachem's strategy translated into concrete figures. If management gets it right — and its track record through the recession has earned respect — the share could prove an attractive medium- to long-term buy.

Shaun Harris

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PANDE GAS

Paying the piper

FM 24/11/95

The Industrial Development Corp and US energy giant Enron are locked in negotiations which could see gas from Mozambique's Pande gas fields used for major industrial development at Phalaborwa in the Northern Province.

Enron, which recently signed an agreement with Empresa Nacional de Hidrocarbonetos de Mozambique, has been given six months by the Mozambican government to find an SA customer for its proposed US\$700m gas field development.

The target now is Palabora Mining's 200 Mt stockpile of discarded magnetite (iron oxide) tailings. The aim is to reduce and beneficiate the magnetite to iron carbide for use in steel-making.

Houston-based Enron spokesman Carol Hensley says the \$13bn corporation will be able to deliver gas to SA by 1998 after a customer approves the completion of a 900 km pipeline from Pande. "But," she adds, "we are not totally dependent on the iron carbide plant and are also talking to other prospective SA customers."

Though Iscor is also interested in the development, it is looking at other processes such as coal-fuelled iron reduction. Magnetite contains about 60%-70% iron and carbide 85%-95%.

Palabora Mining MD Frank Fenwick says indications are that Pande gas could be too expensive as a reduction fuel. "We are

BUSINESS

keeping our options open and talking to others apart from the IDC"

An Industrial Development Corp spokesman says it will be decided next week whether the corporation will co-fund a proposed R15m feasibility study, which should indicate by April whether the carbide plant could become an economically acceptable and technologically proven option

The spokesman says the corporation has had initial discussions with Palabora Mining, Anglo American, Gencor, Sasol and Iscor to find joint venture partners for the development of the stockpile

He says coal-based technologies exist for the reduction of magnetite to iron units and that these are also being looked at. He adds that Foskor's phosphate rock plant at Phalaborwa has a magnetite stockpile of about 35 Mt, which could be beneficiated

"The total stockpile could allow a 30-year life for the proposed 4 Mt/year carbide plant," he says

Iscor mining consulting services GM Ernst Venter confirms Iscor's interest in the proposed beneficiation of Palabora's magnetite stockpile but says the gas-fuelled reduction process is one of several options being considered by Iscor

"A steel-making plant is also an option — once a decision is taken to develop the stockpile — but costly pelletisation would be required," says Venter

Adds Venter "One should remember that priority would be accorded to adding value to the magnetite — to the benefit of the owners, co-developers and SA's economy — not to developing the Pande gas field. But, if Pande gas could eventually become the fuel source, the two projects would fit together."

GAS INDUSTRY

Bridge over troubled water?

183 (183) (183) FM 24/11/95

A plan for a R500m pipeline linking the Mossel Bay gas fields with the proposed R6,8bn Saldanha Steel plant could help to secure the future of both

Not only would the steel plant save 35% on capital costs for its iron-making but the life of Mossel Bay could be extended by up to 10 years.

Integral to this strategy is the four-and-a-half-year upgrade and conversion of the 25 000 BPD Mossgas condensate refinery to an 80 000 BPD conventional liquid refinery, says Hugh Brown, a Johannesburg-based capital projects evaluator, strategist and co-author of a study on the development and future usage of gas resources on the subcontinent.

"To sensibly and economically phase the weaning of the refinery off gas and on to liquids, detailed and sophisticated planning is required. And, to attract private-sector involvement in the refinery, a beneficial set of tariff and tax regimes would be needed, for about 10 years"

Brown says other preconditions would be to cut operating costs at Mossgas (and possibly the flow rate through the refinery) by "at least 20%, to self-fund offshore interim developments. These include the installation of variable compression and drilling three additional wells, at a cost of R300m, to get you to 2001."

Based on current Bredasdorp mining lease area gas reserves and an analysis of future demand for gas in the Western Cape — including Saldanha Steel — the required flow rate could then be sustained for eight to 10 years after switching.

Brown says the strategy, which would take five years to implement, involves

- Starting the five-year conversion of the Mossgas refinery in 1996, perhaps with private-sector involvement;
- Waiting for two years, then starting the pipeline from Mossel Bay to Saldanha and the gas iron reduction plant (which will take three years to build) so that all three projects can be completed at the same time

Government would recover some of its lost billions by extending the use of Mossgas and the liquid refinery would become a far more valuable asset. Also, Iscor would save on capex by substituting its coal-based Corex iron-making plant with a far cheaper gas reduction plant.

Iscor MD Hans Smith says his group would consider the gas option, provided the Mossel Bay, Kudu or even the Pande gas fields can make gas available at competitive

tariffs within a short time frame. But, he adds, this would not seem an option within the next five years — even though it has been proven that gas-powered iron plants can effectively do the job.

Brown says that, with a large number of global steel mills moving towards completion, the thin strip steel market is heading for maximum capacity, which will bring prices down.

"The solution for Saldanha Steel would be to build the gas iron reduction plant first, to supply the growing global demand for iron set off by the proliferation of new, scrap-based, steel minimills. The demand for iron should remain buoyant, even during the downturn. The steel portion of the mill can be planned for later, when the global market goes into its next upward cycle."



Smith . Mossgas lifeline for Saldanha Steel?

This strategy includes increasing the capacity of the iron plant to 2 Mt/year (from a proposed 1,45 Mt/year)

"The best option for Iscor would be to close the book on thin strip steel at Saldanha until the timing is right, to wait for gas (which should become available, after final Mossgas refinery conversion, by about 2001) and to go the iron route first. And a gas-fired iron plant will be far less polluting than coal-based technologies," he adds.

Another benefit is that this strategy would avoid the risk associated with bringing Corex on line in a tight time window when the nature of the technology applied on such scale is not well understood.

Gas-fired operating costs would be about 15% higher than Corex. But, with the substantial savings on capex (using gas), based on a constant dollar analysis, including finance charges, the result would still be that thin strip steel produced from the minimill would be 10% cheaper than a similar prod-

uct flowing from the Corex process.

"When the Mossel Bay can no longer sustain the flow rate required by the Western Cape market — in about 10 years — Kudu gas could start. That would presuppose that the owners of the Kudu field, off the Namibian coast, would start developing this within the next few years."

Another option for using the gas from the huge Kudu field would be smaller, coastal, gas-fired power stations. "This would be far cheaper than building another nuclear power station. And, with growing global demand for pollution-controls and scrubbing of noxious gases from Eskom's coal-fired Mpumalanga power stations, such additional environmental controls would also effectively make new coal stations, with transmission to the Cape, more expensive than gas-powered stations in the Cape."

Brown says Britain and the US already operate gas-driven power stations.

An Eskom spokesman says that though the utility looked at the gas option, it decided that the short-term solution for the growing power needs of the Western Cape would be to increase — even double — the capacity on existing transmission lines from the coal stations in Mpumalanga.

"Our study over the past 18 months looked at usage of Kudu gas. We also considered Pande and the possibility of exploiting the methane gas reserves of the Waterberg coal fields. But, with coal far cheaper than gas as a power source, it seems unlikely

that Eskom would now choose the environmentally cleaner gas route"

But he says gas would become an option if demand for power surged in the area following a steel-based industrial lift-off. Or gas could be used as a direct, domestic and industrial energy source

But this leaves Mineral & Energy Affairs Minister Pik Botha pondering what to do with the R12n Mossgas synfuel fiasco. Options, though tenuous now, could include converting the refinery to handle liquid fuel

However remote it may seem, the synfuel white elephant could be privatised, in a partial sell-off to Far Eastern equity partners who have shown an interest, or sold off as a going concern to local or overseas investors, allowing government to recoup a meagre portion of its lost billions. But talk is cheap and despite an extensive US\$100 000 feasibility study conducted for the Taiwanese, the possibility of a sell-off remains just that — a possibility.

DP opposes R850m plan for Mossgas

POLITICAL STAFF

(183)

THE proposal by Minister of Mineral and Energy Affairs Mr Pk Botha to spend another R850 million of taxpayers' money on Mossgas "flew in the face" of recommendations by the public accounts committee, its chairperson, Mr Ken Andrew, said yesterday. **ET 24/11/95**

The committee had urged the government not to take a firm decision on further investment.

Mr Andrew said the DP was "alarmed" at reports that Mr Botha was seeking another R850m.

Mr Botha's decision was also in "stark contrast" to the findings of an independent monitoring panel of international experts, appointed by his own department, that the analyses prepared by Mossgas were incomplete in important areas.

"Some R12 billion of taxpayers' money has already been wasted on Mossgas as a result of over-optimistic predictions," he said.

Mossgas complex won't close, says energy official

BY DEREK TOMMEY

(183) ET(MR) 24/11/95

Johannesburg — There is no question of closing the Mossgas complex, says Gert Venter, the deputy director-general of mineral and energy management

Venter told a business breakfast arranged by Price Waterhouse yesterday that if the money already spent on Mossgas was regarded as sunk capital, the complex had the ability to generate wealth of more than R1 billion for the country

"The argument about Mossgas does not centre on whether we should close it or whether it should be kept going. The argument is about which is the best route for the shareholder (the state) to follow to optimise his investment"

He said the extent to which the state should draw private enterprise, either totally or partially in some form or another, into Mossgas, was also a topic under discussion.

There are many willing partners. Petroleum companies in the private sector in South Africa have already expressed interest

But first it was necessary for the government to say how it saw the development and indicate the direction Mossgas should take, he said. A clearly defined criteria, against which proposals for Mossgas's future could be evaluated, were needed

Similar criteria were needed for the Atomic Energy Corporation, he said. As a result of the technology

which has been developed over the years, the commercial side of the corporation was providing new goods for the market

Excellent technology was being produced and the question was how the organisation could be managed to assist in generating wealth

Calls for the closure of the Koeberg nuclear power station outside Cape Town were unrealistic, Venter said. It would cost about R7 billion to replace its power generation capabilities and the government could not throw away this amount of money

One of South Africa's problems is that it is suffering a major skills shortage and is becoming technologically illiterate as a result

For a given number of people, South Africa produces 32 engineers compared with the United States and Europe which produce 323, and Japan, which produces 694

A time table, together with built-in checks and balances, was needed for the deregulation of the liquid fuel industry otherwise the community would not go along with it.

Under the old dispensation, anyone who was a reasonably good manager could make money running a filling station

But deregulation would pull the carpet out from under filling station operators. South Africa had about 5 000 filling stations of which 1 000 were operated by blacks. As these were mainly small operations, Venter doubted whether they would survive in a free enterprise system.

Move to end Mossgas deadlock

BY BRUCE CAMERON

Cape Town — A top-level meeting has been called at short notice in Pretoria today in an attempt to break the deadlock over the future of Mossgas

Mossgas is looking for R840 million to extend its life beyond February 1997. The company and the Central Energy Fund claim that the money will be more than covered by the returns

A government-appointed monitoring committee has queried their presumptions. It has received the support of the parliamentary standing committee on public accounts, which wants further investigations before any go-ahead is given.

In an interview with Business Report, Pik Botha, minister of mineral and energy affairs, said he had

called the meeting because of the wide range of views on the issue

Some of the key players, including Ken Andrew MP, chairman of the parliamentary select committee on public accounts, and Gill Marcus MP, chairman of the standing finance committee, will not be able to attend because of earlier commitments

Wasted

Andrew said in an interview yesterday that about R12 billion of taxpayers' money had already been wasted on Mossgas

Over-optimistic predictions of profitability, lifespan and saleability had been made repeatedly over the past decade. Andrew said the government urgently needed to review its policy on the petroleum industry

and "should not be spending vast sums to bail out Mossgas"

Botha said he had presented the various options on Mossgas to a Cabinet sub-committee on Wednesday, but no decision had been taken

These options would be put to the meeting today, which would be attended by Mossgas, the Central Energy Fund, the monitoring panel, the departments of finance and of mineral and energy affairs, members of parliament and others. The issue would then be referred to the full Cabinet, either next Wednesday or the following Wednesday

□ A senior official in the mineral and energy affairs department told a Price Waterhouse conference in Johannesburg yesterday that there was "no question" of closing the Mossgas complex. See Page 18

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Investors panic after plastics price plunge

(183)
Mungo Soggot

BD 24/11/95
COLLAPSING international plastics prices have sent investors scurrying from the petrochemicals sector, with Polfin, AECI and Sasol all plunging on the JSE

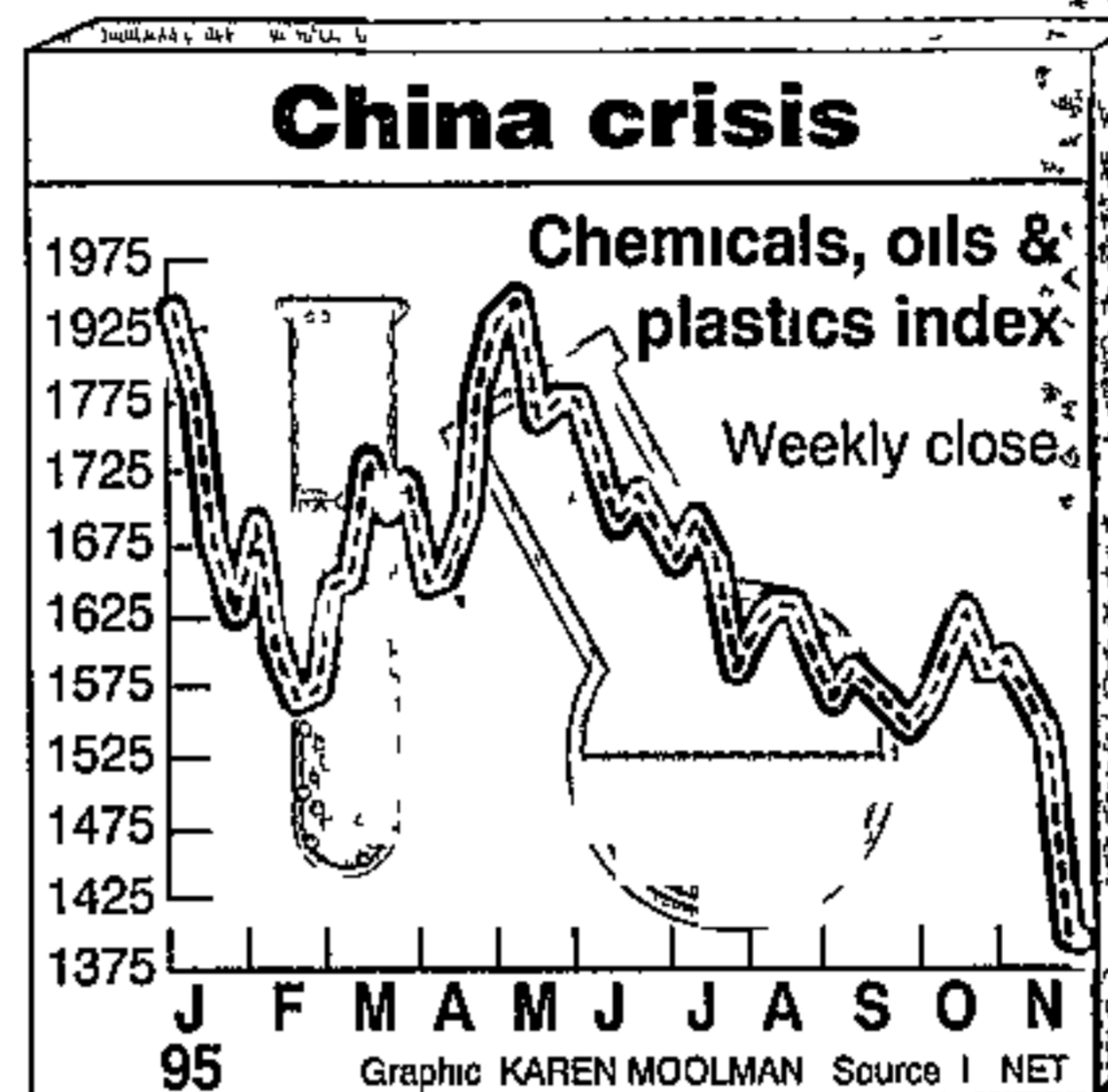
Market sources said yesterday that crumbling international demand, which had halved some prices in the past three months, had caught companies and investors off guard

Industry players moved yesterday to calm investors, saying the effect on their bottom lines would not be severe

Sentiment has clipped 16% from the value of the chemical and plastics index in the past month. Analysts have warned that the worst is yet to come

"Prices are coming off very rapidly," said one. "We watched these prices coming off but never would have believed they would crash like this"

Polfin, Sasol and AECI have sustained heavy losses on the JSE. Pundits blame China's decision to halt polymer imports in a bid to clamp down on tax evasion. Polymer prices had dived to about \$785 a ton from \$1 285 a



ton in the second quarter.

The knock-on effect for SA companies had been almost immediate, as lifting tariff barriers had tied the local market tightly into international prices. Plastics company Polfin, which listed recently with Sasol and AECI as major shareholders, had seen 33% wiped off its share price in the past three weeks. It recovered some ground

Continued on Page 2

Panic

(183)
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yesterday as the company sought to quell panic

Financial manager Roger Crosby said investors had been unnerved by speculation about the company's performance being affected by the "correction" in world commodity prices. "Absolute comparisons" of the effects on the local movements in international monomer and polymer spot prices were not appropriate. The R3bn-a-year group was on track for 20% earnings growth in the 1996 financial year and its maiden dividend was not in jeopardy, he said. International PVC prices had improved in the past few weeks

The perception of damage to Polfin's performance has hurt AECI and Sasol. AECI has shed 22% this month

and Sasol 12,7%

Analysts said Sasol was less exposed to its Polfin stake than AECI and that its chemical portfolio was affected by many other petrochemical prices which had held firm

Sasol said polyethylene, polypropylene and PVC prices had dropped in the past few months but others had held firm. "While there is some uncertainty, we see this softening in prices as a temporary correction caused by destocking and the stopping of imports by China," a spokesman said

AECI blamed general market sentiment in the chemicals sector for its fall on the JSE

Other companies have suffered but to a lesser extent because of their lower exposure to the international price cycle. Sentrachem has lost 7% this month, closing at R13,25 yesterday, while Hoechst SA is down 5,6% on the month at 500c

Govt rejects snap deregulation

Mungo Soggot

20 24/11/95
THE minerals and energy affairs department yesterday signalled its reluctance to implement a rapid deregulation of the liquid fuels industry because of the potential dangers this would pose for small fuel retailers

Deputy director-general Gert Venter yesterday told a Price Waterhouse business breakfast sudden deregulation would probably wipe out the 1 000 black-run filling stations in poor communities

"If we deregulate immediately we will pull the rug out from under them."

Instead, Venter said a phased deregulation was on the cards "We will look at a gradual loosening of strings, which should lead to a more efficient system."

Venter said the existing regulation — seen as having been designed to guarantee supply and

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deter the oil majors from pulling out of SA — effectively guaranteed anyone entering the sector a reasonable return on investment

"It is too easy to say government should just get out of the sector," he said

Meanwhile, Venter said there had been substantial interest in Mossgas from the private sector, including the "troika of SA chemical companies" — Sentrachem, AECI and Sasol.

It was understood that Minerals and Energy Affairs Minister Pik Botha on Wednesday presented the Cabinet committee on economic affairs with a proposal to put Mossgas up for sale

Venter said the department's White Paper on energy policy due early next year would take on board the advice of the International Energy Agency, due to release a report on the SA energy scene next month.

Health ministry wages drug war

By PAT SIDLEY

THE National Health Insurance Committee's proposal to bring cheap drugs bought at state tender prices to private consumers has been placed on hold for the next two years

Meanwhile the Department of Health will put out its first Essential Drugs List of 135 to 140 drugs soon, which will cut the public health drugs bill. At the moment public sector doctors can prescribe from a list of 2 700 drugs

The department has also signalled to the pharmaceutical industry that if its drug prices do not come down it will get cheaper drugs from elsewhere

South African drug prices are among the highest in the world

The pharmaceutical industry is resisting the change. Several companies are claiming that drug imports from India, which Dr Nkosazana Zuma, the Minister of Health, and her pharmaceutical policy advisers have just visited, are of inferior quality

The industry has also threatened that if the government allows the private sector to get cheap drugs supplied by the government it will no longer supply drugs to the public sector at the same low prices

Andrew Whittey, the local chief executive of the British multinational Glaxo-Wellcome, said earlier this year that if South Africa soured as an investment opportunity for international pharmaceutical companies, it might face criticism in other trade sectors

(183) (87) ST 26/11/95

Soekor oil find 'marginal'

By CIARAN RYAN

SOEKOR, the state-owned oil exploration company, has spent R1,24-billion exploring the Bredasdorp Basin off Mossel Bay

The money has yielded two major energy finds, the FA and neighbouring gas fields which feed the Moss gas on-shore synthetic fuels plant and the E-BT oil field, recently approved for development by government

But the commercial success of E-BT is assured only because exploration costs were borne by Soekor, say oil industry analysts

"If this were a private sector project, the exploration costs would

have to be amortised into the development costs, in which case this would be a marginal venture at best," says one analyst

With development and production costs of about \$11 a barrel, excluding exploration costs, Soekor acknowledges that E-BT is marginal

E-BT's production costs include development costs of \$75-million, operating costs over three years of \$68,6-million, and tax, which could net government more than R120-mil-

lion over the estimated three-year life of the field

"It would be unrealistic to expect E-BT to repay all exploration expenditure in the Bredasdorp Basin," says Francois Siebrits, a spokesman for Soekor "According to the successful efforts method of accounting E-BT will repay exploration costs in the E-BT mining lease area The important aspect of E-BT's success, however, is that it will establish the facilities needed to commercially exploit a number of other small oil discoveries already made in the Bredasdorp Basin"

(183) ST(BT) 26/11/95

Mossgas funding may be kept low

(183)
Mungo Soggot

BD 27/11/93

MINERALS and Energy Affairs Minister Pik Botha would not back the Central Energy Fund's request for a further R850m investment in Mossgas in his proposal to Cabinet on the plant's future, sources said yesterday.

They said he was likely to recommend to Cabinet that as little money as possible be pumped into Mossgas without excessively jeopardising its future.

Botha called a meeting on Friday between the Mossgas monitoring panel, the fund and government in a bid to canvass as much opinion as possible before putting his proposal to Cabinet either this Wednesday or next.

The Mossel Bay plant is due to run out of gas in 1997.

Soekor moving towards privatisation

BO 27/11/95 (183)

Mungo Soggot

STATE-owned oil and gas exploration company Soekor has been axing staff and spinning off operations, in a quiet drive aimed at its privatisation

CE Joggie Heuser said at the weekend that the parastatal now employed only 262 staff, less than one-third the level of 1993, and that further retrenchments were planned in the new year.

He said all operations apart from the licensing business were likely to be sold. Soekor had already been restructured into three

units: exploration and production, offshore drilling, and licensing.

But non-core activities, such as laboratory services and electronics and its communications operations, had been spun off

"It is now a lean and focused business run along commercial lines and pointed towards the road to privatisation," he said

Soekor is part of the Central Energy Fund group of companies — which also controls Mossgas — and has been earmarked for possible privatisation by government

In its recent recommendations on the future of Mossgas, the par-

liamentary joint standing committee on public accounts suggested government could sell Mossgas and Soekor in the same package

The committee said the mineral and energy affairs department should "determine potential private sector interest in acquiring all or part of Mossgas assets and, as appropriate, all or part of the assets of Soekor."

It is understood the recommendations were included in the memorandum submitted last week by Mineral and Energy Affairs Minister Pik Botha to the Cabinet committee on economic affairs

The Gauteng education department plans to introduce a pilot project

Cheap medicine sought via India

Kathryn Strachan

SA PHARMACEUTICAL companies were setting up joint ventures with Indian manufacturers, who were able to produce extremely cheap medicines, Health Minister Dr Nkosazana Zuma said this week on her return from a visit to India, Taiwan, Cuba and Geneva.

India was unique in that it was able to supply medicines to the public sector at "very, very low prices", Zuma said. India produced the raw materials and the medical products.

Zuma visited pharmaceutical companies in India, some of which were in the process of setting up joint ventures with SA pharmaceutical companies. SA companies would benefit by getting the cheaper raw materials from the Indian companies, as well as learning from their valuable research and development expertise.

The health department was looking at importing medicines from India, as they were far cheaper than medicines which SA imported from Western countries.

These developments will be followed up when the Indian health minister visits SA next month.

However, Zuma said, SA would never be able to produce medicines as cheaply as India, because wages were much higher here.

The health profile of SA and India were very similar. Both suffered from diseases of poverty, such as malnutrition and water-borne diseases, alongside diseases of affluence, such as coronary heart disease.

India also had much information to share on how to deal with communicable diseases.

With SA poised to introduce a national health insurance (NHI) system, a look at the teething problems Taiwan was experiencing in its newly implemented NHI would enable SA to avoid making the same mistakes, Zuma said.

Like SA, Taiwan had the problem of over-servicing by doctors.

The Taiwanese had tackled this through random audits of doctors, which enabled them to detect irregularities and poor service.

As a result, the claims on their NHI had dropped dramatically.

Taiwan had also deterred unnecessary visits to doctors by making patients pay a certain amount for each visit, she said.

These measures would not necessarily be introduced in SA.

The minister said her visit to Taiwan had focused also on that country's successful nutrition scheme.

Of her visit to Cuba, where she signed an intergovernmental agreement to bring Cuban doctors to SA, Zuma said the country had also been able to keep down costs by producing 95% of the medicines it used. It also produced most of its vaccines.

As health was a priority in Cuba, there was an emphasis there on training doctors.

But admission to medical schools was subject to an unusual affirmative action policy.

The entrance requirement had been set lower for boys than for girls, "otherwise males would be extinct in the field of health", Zuma said.

Masakhane will be recharged

judge the success of Masakhane because municipalities differed from each other. The payment of services was not the proper barometer to judge the success of the campaign, as the resumption of payments was not its only goal.

The new programmes would seek to raise payment levels while educating residents about what they were paying for and how much services cost. Municipalities' billing systems would be upgraded to ensure there were enough pay-points for communities.

He said the campaign had failed in some areas because councillors had not taken it seriously. In addition, transitional councillors had been unwilling to act because they had not known if they would be re-elected.

The amalgamation of white and black councils and the local government election process had consumed most of the councillors' time and energy, he said.

THE success of the local government elections has prompted new programmes for the Masakhane campaign.

Gauteng Masakhane co-ordinator Moeti Mporu said housing MEC Dan Mofokeng would announce the new schemes shortly. They would take advantage of the favourable conditions created by the elections.

The Masakhane campaign was launched by President Nelson Mandela last July to encourage payment for services in order to speed up RDP delivery.

The schemes will challenge the business sector to create favourable conditions for local economic development and help with the provision of "life skills" for local communities.

Mporu said the new programmes would be designed for the specific municipalities and their problems.

He said it was difficult to

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Polifin losses due to fall in chemicals price 'minimal'

Mungo Soggot

BN 28/11/95

(183)

PLASTICS company Polifin was being forced to sell at a discount products it had imported to keep its local market share intact before the collapse in key international chemical prices, the company said yesterday.

However, group financial manager Roger Crosby said that the loss involved was minimal.

"If it's 1% of total profit it's a lot," he said. Polifin had, he said, stopped importing when local demand softened in line with the global turnaround, which has seen some prices fall 50% since the second quarter.

Polifin had started importing small tonnages this year as part of its commitment to its customers — it had been unable to satisfy local demand with its local output.

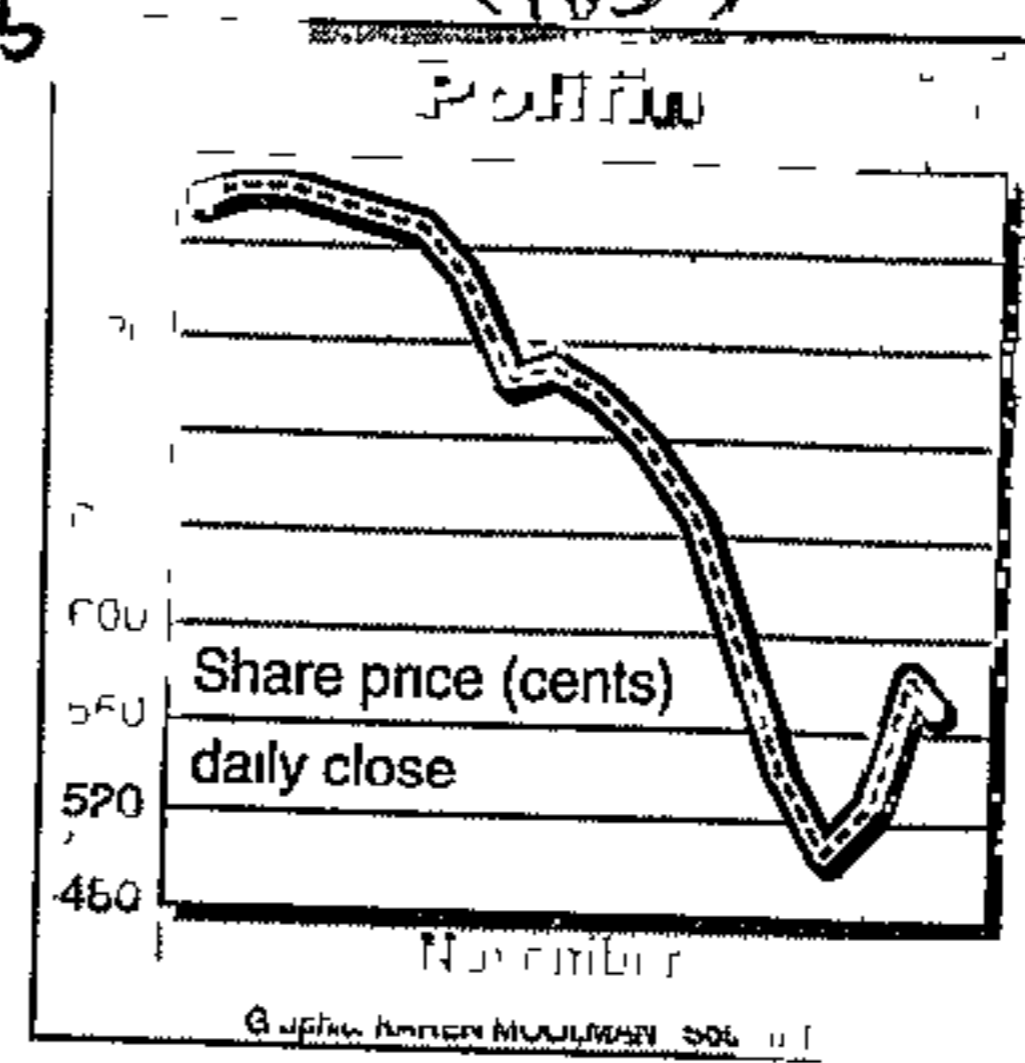
When the price cycle turned, local users had started destocking after building up stocks heavily during the up cycle, he said.

However, Polifin remained saddled with some imported products, being sold below cost.

The total imports for the financial year would not, he said, amount to more than two weeks of polymer sales.

—At the end of last week, Polifin's share price was down 33% on the month as investors dumped stock after panicking about the fall in international prices.

The counter gained ground after the company sought to calm in-



vestors' nerves, and closed yesterday at 570c compared with last Wednesday's 505c.

At the time, Polifin assured investors that "absolute comparisons" of the effects on local prices of movements in international monomer and polymer spot prices were inappropriate.

Polifin said that the R3bn company was on track for a 20% increase in earnings. It had posted attributable profit of R354m in the year, up to June.

Crosby said that China's clampdown on polymer imports — the trigger for the international price plunge — had happened from July.

Now, he said, there were early signs of a recovery in international plastics demand.

He said that international PVC prices had improved in the last few weeks and there were signs local demand was picking up again.

SA Druggists fears dent in profits

Beatrix Payne

(183) BD 28/11/95

SA DRUGGISTS' expansion into managed health care was expected to dent profit over the next two years, with share earnings likely to grow only 15%-20% in the current financial year, CEO Peter Benningfield said in the group's annual review.

Earnings a share grew 20%, 30% and 30,5% during this financial year, last year and 1993 respectively. The Malbak group's expanded health care interests were still in the development phase and were likely to contribute to group earnings only from 1998.

Investment in health care would peak next year and in 1997. Over the past year the group had focused on developing its health care operations, and now intended to become a major player in managed health care.

This year it had invested R247m in new ventures, while R235m had been allocated for further expansion.

This will take its toll on the group's results over the next two years — the bottom-line impact in 1995 was R12m — but the longer term benefits to the group and its stakeholders will be enormous," group chairman Grant Thomas said.

Benningfield defined managed health care as the management of facilities, resources, services and funding mechanisms and the measurement of delivery performance and outcomes, to achieve affordable and accessible health care.

During the year the group established a new division, Healthcare Management Services, which took over its interest in pharmacy benefits business Mediscor and acquired Malbak's 50% stake in Medicross.

SA Druggists also established a managed care/risk transfer business called Medical Services Organisation, which would complement the Medicross operations.

Oil (183)

Continued from Page 1

best be served by a Cabinet decision to eliminate the subsidy and use the cash to support the RDP and other state imperatives," McClelland said.

He said the figures had been compiled by Deloitte & Touche, but cautioned that the accounting firm had not audited the information.

The figures did not answer the frequent allegation that the SA affiliates of the international oil companies indulged in "transfer pricing" — shifting profits to countries with softer tax regimes. However, McClelland said they were willing to expose their books to a full audit to squash this allegation.

The Cabinet will today either scrap Sasol's protection or, more likely, set a new lower level of support. Government's current agreement with Sasol

expires at the end of the year. It was reported last month that the finance department was keen to slash Sasol's subsidy in half.

But a report on the future of Sasol's protection by consultants Arthur Andersen, which was commissioned by the National Economic, Development and Labour Council (Nedlac), recommended a gradual phase-down of protection over the next few years. This would chop Sasol's protection, which is geared to the oil price, to between R700m and R800m next year. The association rejected the report, accused Sasol of unduly influencing it and quit Nedlac's liquid fuels task force.

Sasol's protection comes from the equalisation fund, fed by the extra 9c/l motorists pay for their petrol and by levies on diesel, gas and paraffin.

Davies said the oil companies' profits benefited oil producing countries and not SA. SA's oil import bill topped R8bn a year.

Veil of secrecy lifted on accounts

Oil companies in showdown with Sasol

Mungo Soggot

SA's crude oil companies have exposed their accounts to public scrutiny ahead of today's Cabinet decision on the future of government support for Sasol, in a bid to strengthen their call for an end to Sasol's subsidy.

The SA Petroleum Industry Association said it was the first time the companies had lifted the veil of secrecy surrounding their financial performance — a product of the oil boycott era.

Its announcement provided a blow by blow comparison of both sides' financial figures, showing its synthetic fuel-producing competitor towering above the association members. The crude oil industry — BP, Engen, Caltex, Shell, Total and Zenex — earned a combined profit of R1,8bn before interest and tax in the year to June, while Sasol had earned R2,8bn — more than R1bn of which was the subsidy, it said. Association director Cohn McClelland said "Subsidies to Sasol cannot be justified. In the 12 months to June 1995, Sasol earned almost double the return on assets against association members. There is no question of Sasol closing down if the subsidy is removed. It will still be highly profitable."

Sasol communications GM Pat Davies last night dubbed the announcement "yet another tedious attempt at discrediting Sasol." The as-

sociation had ignored the fact that synthetic fuels accounted for less than half Sasol's profit.

The association said Sasol's after-tax return was 12,7% on total assets excluding cash, against the association members' 6,8%. Sasol synthetic fuels' profit before tax and interest was 21,6c/l, against the association's 4,4c/l refining profit before tax and interest.

The oil companies have long fought for a level playing field in the local industry. Although they do not compete in the retail sector, they do compete over production as Sasol Oil has a stake in the Natref crude oil refinery.

The oil companies are also looking towards the day when Sasol is allowed into the retail market. At present Sasol and the oil companies are bound by a contract which bars Sasol from the retail market and obliges the oil companies to buy all its synthetic fuel.

The association's disclosures included responses to Sasol's traditional arguments in favour of its support — that it saves the country foreign exchange, uses low grade coal and creates jobs. It said its members had in the past three years invested R1,6bn annually in SA — more than twice the amount they had paid out in dividends to their shareholders.

"The interests of the nation would

Continued on Page 2

Intershore chases Nigerian oilfield contracts

BY SHIRLEY JONES

(183) (225) ET(BR) 29/11/95

Durban — Intershore, the joint venture comprising Dorbyl Marine, Murray & Roberts and British-based Amec Process & Energy, is tendering for contracts for Nigeria's Asari field. The company is building two oil platforms for Angola's Cabinda Oil project.

Intershore managing director John Cheeseborough said that together the projects would outstrip the R375 million Angolan contract which is due for completion in May next year.

If Intershore wins the tender, its purpose-built construction site would see the development of another two oil platforms built to handle 25 000 and 35 000 barrels a day respectively.

The Angolan contract, which was the first of its kind for South Africa, was more than 50 percent complete with deliveries of sophisticated equipment from overseas in



IN THE PIPELINE Further deals are on the cards, say John Cheeseborough and construction manager Eric Coull. PHOTO: PETER DUFFY

progress, Cheeseborough said, planning had begun for the offshore hook-up phase to be carried out late next year.

Cheeseborough expected Intershore to win more contracts. "We

intend to keep this facility fully employed. If all parties play their cards right, there are good prospects. The oil and gas market along the west coast of Africa is immense," he said.

Shell rejects Mandela's call to halt Nigerian project

183 (183) CT (BR) 30/11/95
BY ROSS HERBERT

Johannesburg — Shell Oil executives yesterday rejected calls to stop operations in Nigeria, and requested an urgent meeting with President Nelson Mandela to discuss his threat of sanctions against Shell South Africa if it goes ahead with a \$5 billion gas project in Nigeria

Shell executives said they were surprised by the president's strong tone and asked to meet him after The Sunday Independent newspaper quoted Mandela as warning Shell to suspend the gas project as an act of protest over the hanging of nine Ogoni activists

The company also brought an executive from its London office to South Africa to explain its position and head off sanctions

Mandela had said he expects Shell to demonstrate its commitment to democratisation immediately or face possible sanctions in South Africa

The nature of such sanctions will be left to consultation among Cosatu, the ANC and various civic groups, who are scheduled to meet with Shell this morning

John Barry, Shell's regional coordinator for Nigeria, said company policy was to stay out of local politics and said the firm would not be allowed under Nigerian law to halt oil operations

John Drake, chairman of Shell



DRILL ON Shell executives John Barry, Koosum Kalyan and John Drake held a conference in Johannesburg yesterday to explain their opposition to suspending oil operations in Nigeria

PHOTO JOHN L. WOODROOF

South Africa, said Shell stations in South Africa are independently run and a boycott would hurt employees and owners more than Shell, which would sell its output to other oil companies or to foreign customers. He said Shell South Africa, which has turnover of about R8,5 billion, used no crude oil from Nigeria

In the past, Shell paid a price for not actively participating in public debate about its actions

and Barry said it intended to publicly argue its case over Nigeria

Barry admitted environmental problems existed in Shell's Nigeria operations. The company has expanded its community-support projects ten-fold in the past five years, in part due to public pressure

Asked about company policy on bribery, Barry said Shell's policy was to fight corruption in its operations, but "it's not just the

government that is corrupt. It's a system that runs through the whole of Nigerian life"

Reuters reports from Lagos that the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture called for a speeded-up return to civilian rule within a year

"Not yielding to international pressure for democratisation could be devastating on the (Nigerian) business sector"

ET (BR) 30/11/95

Drug group increases income 16%

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By CHARLOTTE MATHEWS

Johannesburg — With a mixed performance from its main operating subsidiaries, Premier Pharmaceutical Company lifted attributable income by 16 percent to R69,2 million in the six months to October, compared with the same period a year ago.

The directors said the pharmaceutical division, which contributed the bulk of turnover, increased profitability, as did the eye-care division.

Consumer operations were affected by an erratic market and made lower profits. The animal health joint venture — held with Sentrachem — was hit by the drought and by a slower-than-expected process of rationalisation.

Turnover in the group, which is 58 percent owned by the Premier Group, was only 1 percent up at R331,0 million (R326,5 million) but operating income grew by 8 percent to R92,4 million.

Cautious

The bottom line benefited from a surge in net investment income and a tax rate of 28 percent against 31 percent previously, reflecting credits from the secondary tax on companies and a more cautious dividend policy.

On earnings of 63,2c (55,6c) a share on a higher number of shares in issue, the dividend was reduced to 17c from 25c.

Premier Pharmaceutical's directors said a lower interim cash dividend was declared because of uncertainty about secondary tax on companies, which is levied on dividends paid.

The directors intend to make up the shortfall by increasing the year-end dividend in line with a policy of about two times cover.

The directors said the pharmaceutical market remained unsettled by the ongoing healthcare debate.

Premier Pharmaceutical said that earnings growth for the full year was expected to be consistent with the half year.

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The company also brought an executive from its London office to South Africa to explain its position and head off sanctions.

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The nature of such sanctions will be left to consultation among Cosatu, the ANC and various civic groups, who are scheduled to meet with Shell this morning.

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John Drake, chairman of Shell



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PHOTO JOHN WOODROOF

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"Not yielding to international pressure for democratisation could be devastating on the (Nigerian) business sector."

Hoechst SA's earnings growth could top 30%

Mungo Soggot

CHEMICAL and pharmaceutical company Hoechst SA was likely to overshoot its 30% earnings growth target for the current year, MD Reinhard Traub said yesterday.

Traub said all limbs of the group — health care, polymers and derivatives and speciality chemicals — had performed well.

Hoechst SA posted earnings of R41,87m in the year to December 1994 on turnover of R1,5bn. At the interim stage, earnings rose 36% to R21,4m on sales up 27% at R883,3m.

Traub said he believed that once the company reported its 1995 year-ends, the performance of its recently listed JSE share would take off. "The market will realise that our consistent performance is a reality."

He was happy so far with the share's showing. The counter, which yesterday closed at 515c, had weathered the storm in the chemicals and plastics sector remarkably well, which underlined how important it was that Hoechst SA was "anticyclical". It touched a high of 550c in August, a month after it listed.

Plummeting international polymer prices have triggered massive falls in other shares in the sector.

Traub said Hoechst SA's polymer

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division, whose activities centered on Safripol — a joint venture with Sentrachem — had had an excellent year considering local polymer prices had sunk about a third, in line with the collapse in international prices. Polyester fibres and packaging film, two important parts of the division, had performed well during the year.

Hoechst believed polymer prices would stabilise once European users stopped destocking and once China returned to the world market, after it sorted out its internal difficulties.

He said Hoechst SA's polymer business was less vulnerable to the vagaries of international prices than its SA competitors because it focused on value added products.

Traub said the company was increasingly focusing on the textile industry for its fibre business.

Some parts of its pharmaceutical business remained burdened by the restructuring and rationalisation of Pretoria-based Noristan. Restructuring costs had been higher than expected.

He expected the health care sector's contribution to the group's overall business to bounce back next year.

Traub, who is to become head of Hoechst AG's international polymer business, will be replaced by Steffen Beuthner in the new year. Traub will remain Hoechst SA chairman.

Sasol is still deliberating with the black business group. Unfortunately no further details can be divulged at this stage as Sasol is bound an exclusivity agreement

Sasol deal shrouded in mystery

By Isaac Moleedi

IT WOULD SEEM that there is still no headway regarding the joint venture oil deal between Sasol and a "specified black group" announced by the giant oil company about three months ago

This has fuelled speculations that Sasol hurriedly made the announcement to steal the show from the launch of Afric Oil by Caltex

Afric Oil, a joint venture oil company consisting of Worldwide African Investment Holdings, a black-owned investment company chaired by Professor Wiseman

Severe for 30/11/95

Nkahlu, Transnet subsidiary company Bongani Motor Holdings, Caltex Oil South Africa and First Corp Merchant Bank, was launched last September in the midst of much controversy

Some Caltex petrol station owners initially refused to recognise the new oil company but the misunderstanding has since been resolved

Sasol and Caltex announced more or less the same week that they would bring blacks into the oil industry

However, a question mark hangs over the Sasol deal To date, the oil grant has refused to name the "specified black group" with which it was allegedly holding exclu-

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sive talks to form the new company

Sources close to a black consortium that Sasol may be holding talks with said they doubted whether the oil company had anything tangible to offer

Some of them believe that Sasol made the claim to "either run away from something" or to steal the "black economic empowerment show" that Caltex would have enjoyed alone

The Sasol deal is also said to have run into problems after the withdrawal last August of Powerlib, one of the black consortiums from joint venture talks with Sasol on the grounds that the grant oil company had bridged a confidentiality agreement with it

Powerlib, headed by a businessman Eric Molefe, is a black-owned company which has long held interests in the country's fuel retail sector

Sasol denies all these claims The company also denies that it timed its announcement to pre-empt a Nedlac decision to link continued state subsidies for the company to black empowerment

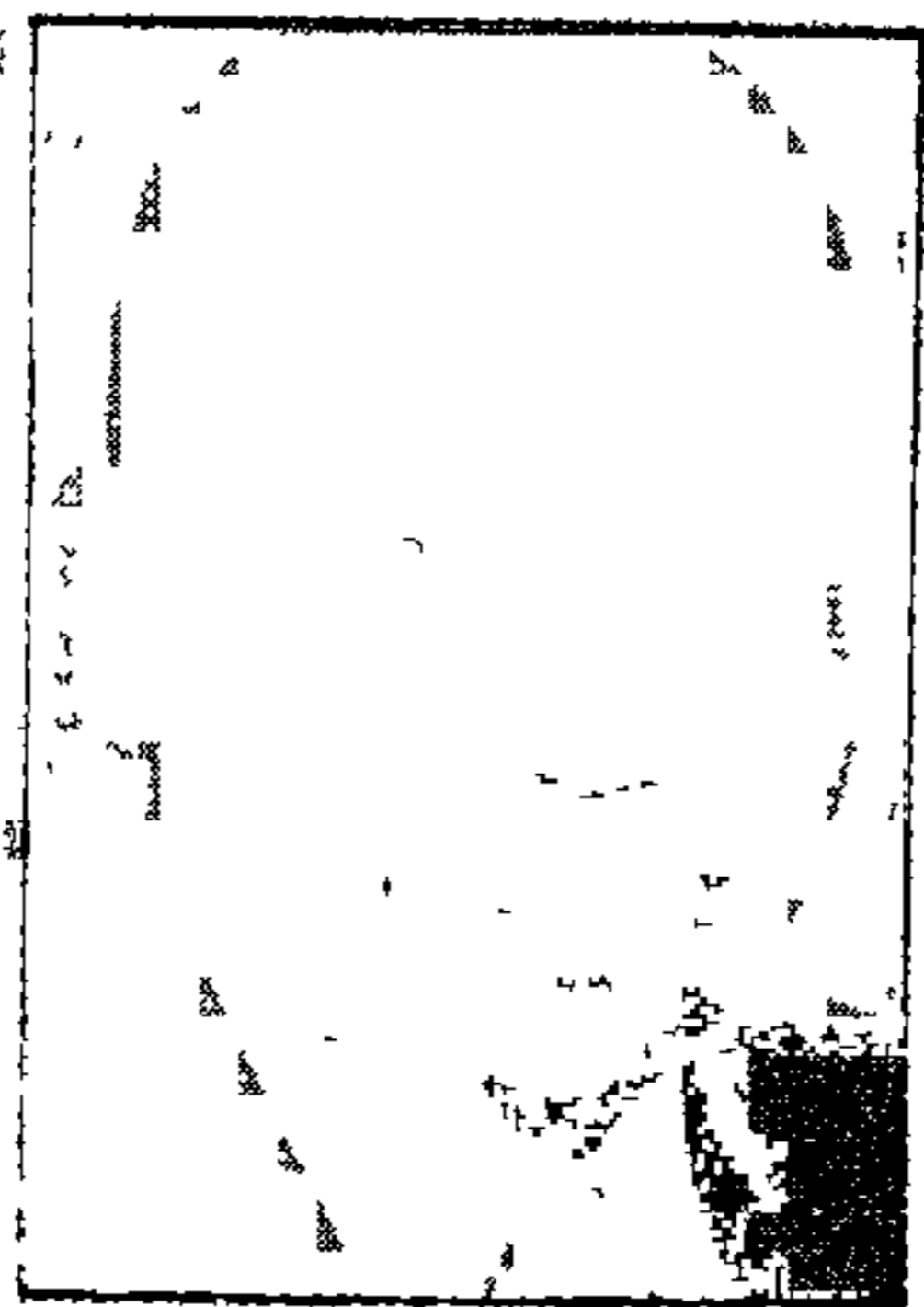
Sasol spokesperson Alfonso Niemand said talks with the "black business group" were still on track and that the company was bound by an undertaking not to release any further details

"Sasol is still deliberating with the black business group Unfortunately, no further details can be divulged at this stage as Sasol is bound by an exclusivity agreement with this particular business group," said Niemand

He added that Sasol had been talking to various groups including Thebe Investments

"We have already identified a specific group whose name cannot be disclosed But we expect an announcement about the joint venture to be made by Sasol early next year," he said

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Frederik Phaswana

BP gets first black boss

News paper 30/11/95

By Mzimkulu Malunga

TO MOPROW BRITISH PETROLEUM (BP) will have a black boss. The company's first black boss will be Mr. Frederik Phaswana.

The South African-born executive has been named as BP's first black boss. He will make his debut as the company's first black boss in London.

Mr. Phaswana, 47, is an executive of the company in London. He has worked for the company for 15 years.

He has held a number of senior positions in the company, including regional director for Africa and the Middle East.

He joined BP in 1980 and has worked in the company in both Holland and Portugal. He has also worked for the American and British governments.

He has held the European post for BP since 1992. Prior to that he held a number of posts within the company, including regional director for Africa and the Middle East, and industrial relations director.

He had been in the company since 1980. He has worked for the company in both Holland and Portugal. He has also worked for the American and British governments.

Since joining BP in 1980, Mr. Phaswana has worked in a number of senior positions within the company, including regional director for Africa and the Middle East, and industrial relations director.

He has held the European post for BP since 1992. Prior to that he held a number of posts within the company, including regional director for Africa and the Middle East, and industrial relations director.

In 1992, he was appointed as regional director for Africa and the Middle East. He has worked for the company in both Holland and Portugal. He has also worked for the American and British governments.

Phenomenal Growth for Sasol's phenols

(Cresol) (183)
A global leadership position in cresols – used in perfumes, electrical insulators, printed circuit boards, computer chips, flame retardants and anti-oxidants – is steadily being achieved by Sasol Phenolics (SP) of Sasolburg.

Potential is vast, since process streams at Secunda are not yet being tapped for raw material.

"We are also well established as one of the world's major suppliers of high-purity phenols, a feedstock for pesticides, resins, herbicides, insulation materials, plastics and pharmaceutical products," says marketing manager Jean du Toit.

More than 80% of SP's production goes to 34 countries, and during 1994/95 turnover rose by more than 52% to R157-million, thanks both to higher production and higher international prices.

"The lifting of sanctions has seen our division of Sasol Chemical

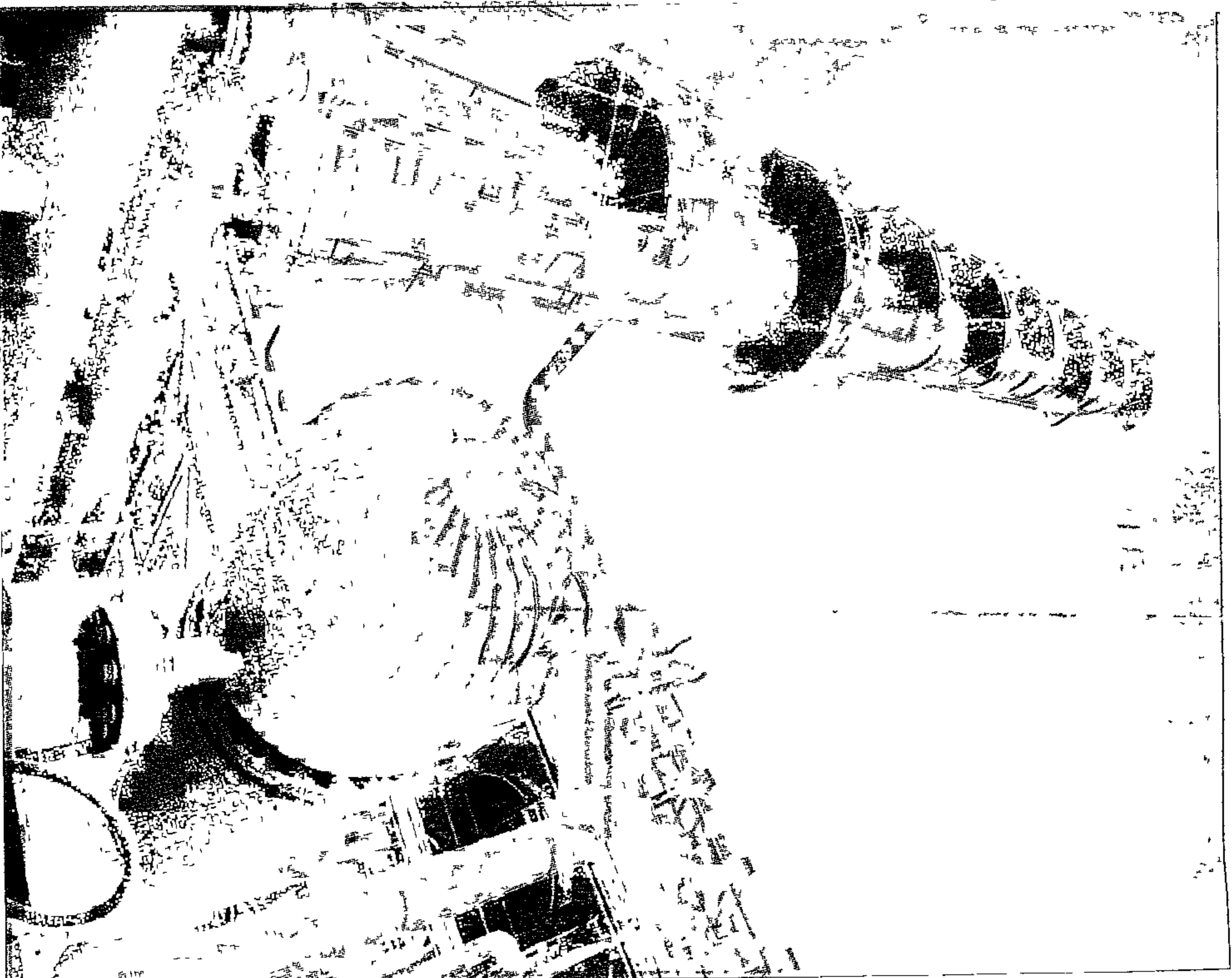
Industries expand exports to the Indian sub-continent and the Middle East. We also increased market share in South America and Europe.

"This year we entered the quality-conscious Japanese market for cresol.

SP's range of high-purity phenolics includes, apart from phenols, ortho-, meta- and para-cresol and xyleneol mixtures."

Du Toit says SP's success rests on its business strengths:

- Long-term commitment to customers,
- Quality improvement – "the belief that there is always a better and smarter way of serving customer needs",
- Ongoing research into market trends, customer requirements and product development, and
- Ability to produce a range of high-purity, value-added phenolics



MERIT AWARD WINNER The Cresylic acid plant at Sasol Chemical Industries, Sasolburg. Sasol Phenolics adds value to low-grade depitched tar acids by producing and marketing phenol, orthocresol and meta- and paracresol and xyleneol blends.

A time for cool heads

Mossgas is now a fact of life and, despite its unfortunate history, could make a substantial profit for government, says ROY PITHEY

ST 3/12/95

(183)

THERE are many relics of apartheid strewn across the socio-economic landscape, but none has captured the attention quite like Mossgas. Few will argue that it was the product of a political, rather than an economic, imperative. The project has had its critics from the start and I was one of them.

However, Mossgas is now a fact of life, and no debate on its historical merits can change that. Of greater concern is its future, because we can do something about that.

At its current rate of production, Mossgas's existing feedstock will run out in April 1997. Unless a plan is implemented soon to prolong its productive life, it will be forced to close about a year later at a cost of more than R600-million to the taxpayer. At least 1 000 people will lose their jobs and about R750-million a year will be lost in foreign-exchange earnings.

Clearly, the decision to build Mossgas was an indefensible one. However, one can't go forward while looking through the rear-view mirror. The R11-billion invested in it will not be recovered and will have to be written-off.

Coming to terms with this reality requires a cool head.

In our attempts to find a solution for Mossgas that is in the national interest, we at Mossgas considered more than 130 options, then narrowed them down to three.

The first — the so-called synfuel option — involves the development of the gas fields adjoining the productive F-A gas field at a cost of R450-million. This will prolong the life of the plant until December 1998 and earn a net income of R860-million.

By installing special equipment to extract the remaining deposits from the F-A and satellite fields, at a cost of R400-million, the productive life of the plant will be extended to 2001, and earn an additional net income of R1 650-million. So, for a total investment of R850-million, the government will earn a net income of R2 150-million. These figures are not based on any government support.

The other options are to convert the plant to methanol production or to pipe the remaining gas reserves to the Western Cape for use as a fuel for industry. Both these options require an investment of about R1 500-million and both are capable of earning an attractive commercial return.

Methanol production is the simplest way of converting

natural gas to a tradable commodity. Purely as a methanol producer, Mossgas would employ just over 200 people for an anticipated 24 years. However, we do not recommend that the government invest in this type of business. This option may prove more attractive to the private sector. We have an interesting proposal from the private sector to develop the methanol option which raises the prospect of significant downstream development.

The gas-to-Cape option would require the building of a pipeline to Cape Town and would have an operational life of about 20 years. It would retain only about 140 jobs in Mossel Bay.

We believe the synfuel option offers some compelling benefits that are clearly in the national interest. Not the least of these are direct employment for 1 000 people and indirect employment for 10 000, and a net benefit to the balance of payments of the order of R2 000-million.

All three options require the government to forego dividends in order to make money. However, an attraction of the synfuel option is that it could be funded from cash flows at Mossgas. Mossgas is cash positive and in the financial year to March 1996

it is expected to generate an operating surplus of R120-million before the synlevy or tariff protection. Another important consideration is the availability of proven gas reserves in the E-M field not far from the F-A field and its satellites. These reserves could extend the synthetic fuels' productive life of the plant to 2005.

The synfuel option also offers a strategic benefit, allowing us to keep a number of productive options open to government and private sector investors. It neither precludes the pursuit of the methanol or the pipeline gas options further down the line, nor the option of restructuring.

Any delay in making a decision is prejudicial to the government. By buying time through the scaling down of production at Mossgas to conserve the remaining gas reserves, we will only succeed in reducing the range of options open to us and mortally wound Mossgas as a business.

A decision on Mossgas requires boldness. The government must act soon while it still has a choice and before circumstances take the decision out of its hands.

● Roy Pithey is chairman of Mossgas

to make it more and easier for

Apartheid's oil

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R443m to wash government's hands of Moss gas

THE Cabinet will this week pull the plug on Moss gas and Sasol, announcing the end of state support for the two synthetic fuels producers.

But both companies are likely to be given a soft landing when the Cabinet decides on the matter on Wednesday.

Mineral and Energy Affairs Minister Pik Botha said this week he would recommend to Cabinet that Moss gas be given a R443-million reprieve before the plant was put up for sale. This investment would see the government double its money within 22 months through increased profits. The money would allow Moss gas, with less than a year before gas reserves run out (four years after start-up), to tap nearby satellite gas fields, extending its life for 22 months.

This gives the government sufficient time to find a buyer but is substantially less than the R850-million required to extend the life of the gas fields by five years.

Nevertheless, champagne corks will be popping at Moss gas ahead of the Cabinet's announcement.

"Should the Cabinet agree to invest R443-million, this would be the optimal decision for the country and Moss gas," says David Day, business development manager at Moss gas.

"It allows the state time to make a considered decision on the issue of privatising the plant and continues to save the country more than R600-million a year on foreign exchange."

Mr Botha says the R443-million will be paid out of Moss gas's operating surpluses and will have no impact on the fiscus other than a loss of dividend revenue.

The R443-million is over and above subsidies of about R1-million a day received by Moss gas which go to paying off foreign loans of R2-billion, more than half of which has already been paid, and synthetic fuel levies of R100-million a year, which fall away next year.

Moss gas made an operating surplus without subsidies of R114-million in the last financial year, and this is expected to increase to R500-million by 1998.

The proposed sale of the R11,3-billion Moss gas plant relieves the government of one of the costliest legacies of apartheid strategic planning.

A front-runner in the bid to acquire Moss gas is a consortium made up of Sasol, AECI and Sentrachem, which plans to use the plant to manufacture methanol. Other

Reports by CIARAN RYAN
and RAY HARTLEY

inquiries have been received from the US, Europe and Taiwan.

However, it is clear the government will recover little of the R11,3-billion it spent on the plant, and the new owners will derive the benefit of the R443-million invested in extending the gas fields, which will yield a net profit of R850-million within 22 months.

A Moss gas source says bidders are hoping to buy the plant "for next to nothing" but have been told to "get real".

The Chinese Petroleum Company, which conducted an in-depth study of Moss gas, valued the on-shore plant as a going concern at \$850-million, excluding the gas reserves. Its scrap value is substantially less than this.

To mothball the plant would cost R1,3-billion and to dismantle it R650-million, Mr Botha says.

The Cabinet is expected to balk at investing the R850-million needed to extend the life of the gas fields by five years.

The cheaper option of R443-million allows nearby gas fields to be tapped without installing a compressor, which is required when natural gas compression weakens, says Mr Botha.

The Minister adds that the decision over the future of Moss gas has been fraught with conflict.

"The (interested) parties have been meeting for a year now and at every meeting new differences surface," he says.

Mr Botha says he would have preferred to take a decision on Moss gas in four or five years' time, but this would open the door to more conflict. A decision needs to be made now to test the market for would-be buyers and to develop the satellites.

Dr Day says Moss gas is beginning to look increasingly attractive to buyers. The state-of-the-art plant has been running at above design capacity for nearly three years, export sales of solvents will treble to R123-million over the next few years and a productivity programme will slash operating costs by R120-million a year.

Potential buyers are expected to exact a heavy price from the government. They are asking for tax holidays, duty exemptions on the importation of capital equipment, tariff protection on upstream products and soft financing schemes.

ST (P) 3/12/95
Legacy up in smoke

Cabinet set to slash Sasol's

R1,1bn subsidy

(183) ST (197) 3/12/92

THE Cabinet is expected to decide this week to cut Sasol's R1,1-billion-a-year support package by half and phase it out over four years. Sources close to Mineral and Energy Affairs Minister Pik Botha indicate that Mr Botha will take this recommendation to Cabinet on Wednesday.

Should the Cabinet approve the reduction, it will provoke outrage from both Sasol and the oil industry, which have been at loggerheads over state support to Sasol for years.

Sasol says it would be surprised if the government's recommendations on synfuels protection differ materially from the Arthur Andersen recommendations, which were accepted by the National Economic Development and Labour Council.

The auditors called for a phasing down of the reference price on which the protection is based from \$21 a barrel to \$17.

The Arthur Andersen report has been stated by the SA Petroleum Industries Association, representing the country's oil companies.

Two different reports were issued within a week of each other by Arthur Andersen, the second report containing more than 40 changes, all of them beneficial to Sasol, says Sapia executive director, Colin McClelland.

Sapia members broke the long-standing secrecy surrounding the oil industry this week by releasing their profit figures. These figures show that the combined after-tax profit of Total, Zenex, Shell, BP, Engen and Caltex totalled R955-million for the 12 months to June, compared with Sasol's R1,9-billion. Based on these figures, Sapia says Sasol has no claim for continued subsidies.

Sasol's after-tax return on total assets was 12,7% compared with Sapia members' 6,8% on a similar asset size. Another set of figures released by Mr Botha puts Sasol's return on assets with protection at 6,4% in 1995, using the Petroleum Activities Return methodology, which splits marketing from refining assets for purposes of measurement.

Sapia says the Minister's figures were presented by Sasol to Nedlac earlier this year and were "thoroughly discredited", a charge denied by Sasol.

"If Sasol is only making 6,4% return on assets despite receiving R1,1-billion a year in subsidies then it is nothing more than another Mossagas and should be shut down," says Mr McClelland.

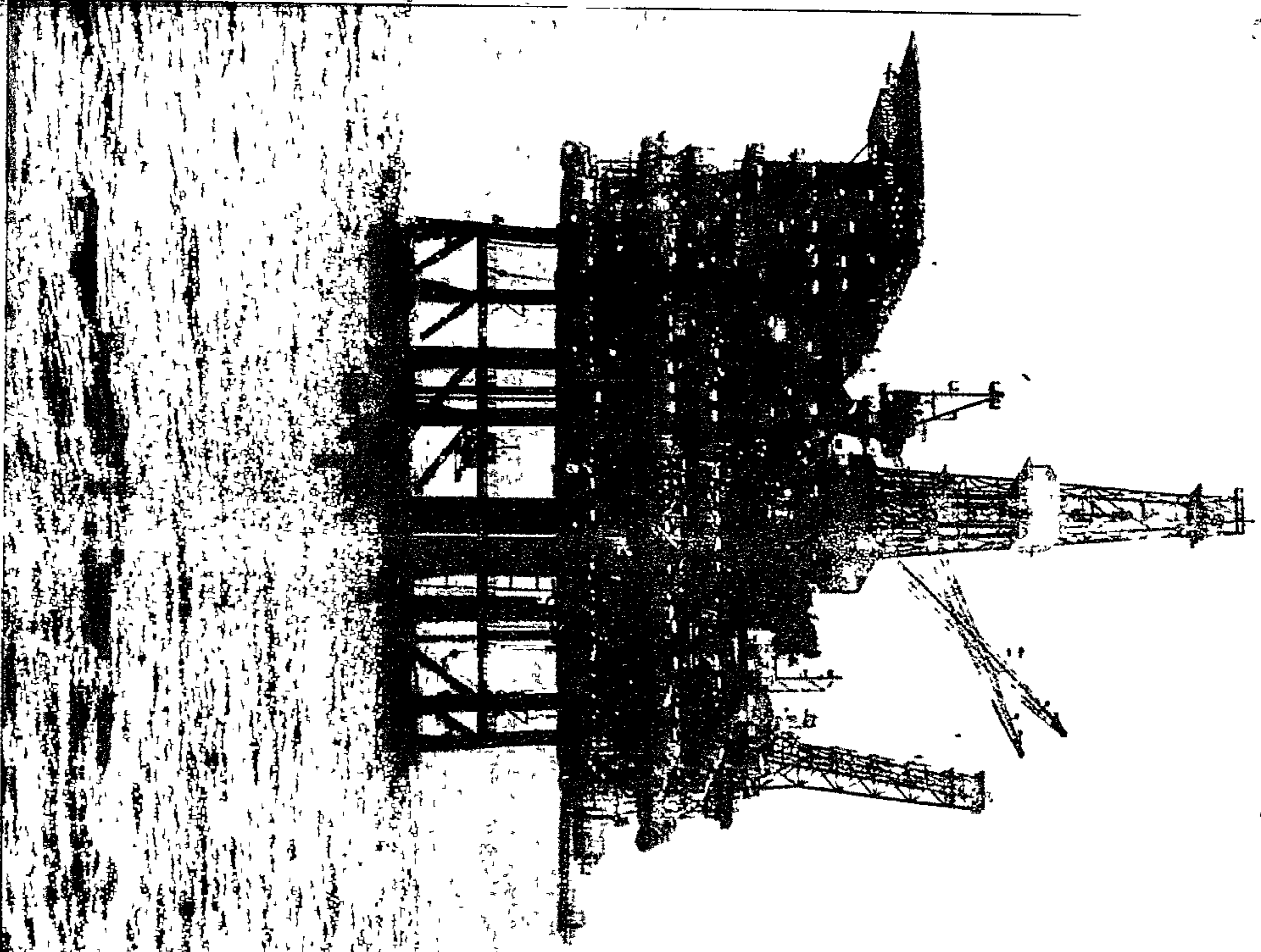
Sasol says Sapia's profitability comparisons are "fallacious" as Sasol ranks lowly in terms of return on investment, the proper measure of profitability.

"Our profits from synfuels are less than half the R1,9-billion cited," says Sasol spokesman Pat Davies. "The rest of our profit comes from chemicals and mining, which are not comparable.

The other big flaw in the Sapia analysis is that 70% of their profits are made offshore. Sapia is comparing 100% of our value stream — from mining to chemicals — with 30% of theirs."

Sasol says the crude oil production profits of the oil companies benefit foreign shareholders. The oil majors enjoy a 35c a litre production refining margin compared with Sasol's 17,5c a litre.

"If the Cabinet decides to continue subsidising Sasol it places Sasol shareholders above motorists and taxpayers," says Mr McClelland.



OIL ON TROUBLED WATERS: Mossagas's gets a handout and buys time to find a buyer

(183) ST 3/12/95

Pik closes the purse on Sasol

By RAY HARTLEY and
CIARAN RYAN

THE government is to rid itself of its money-gobbling involvement in Sasol and Mossgas in two bold moves which will finally end taxpayer subsidies that have cost billions of rands over the past decade.

In the first move, Sasol is expected to lose half of its R1,1-billion government subsidy in the new year. The rest will be phased out over four or five years.

In the second development, the government will sell Mossgas — the R11-billion white elephant brought into being by the NP government — if Mineral and Energy Affairs Minister Pik Botha's recommendations are accepted by the cabinet this week.

A top government source indicated that at least half of Sasol's subsidy would be cut to help the government reorient spending in its 1996 Budget.

This would be followed by a phasing-down period which would see taxpayers free of the Sasol burden by the year 2000.

Mr Botha said this week that he had ruled out cutting the entire subsidy in one move.

"No sudden cut-throat action is feasible," he said, adding "There will be no joy in the final decision from either Sasol or the fuel industry."

He said that, while he did not wish to pre-empt cabinet decisions, his own views were that it was time for a "bidding round to test the market" in preparation for selling off Mossgas.

"We have reached a point where we are quarrelling about issues that can only be resolved once you are in discussion with a would-be buyer," he said, referring to the debate over what should be done with Mossgas.

It is understood that the finance ministry is likely to back Mr Botha's approach at Wednesday's cabinet meeting.

Of the money spent on every litre of fuel in Gauteng, 9,4c goes to the Central Energy Fund, which pays out R1,1-billion a year to Sasol and nearly R400-million to Mossgas.

This means that nearly 7c from every litre of fuel sold in South Africa ends up in Sasol's bank account. Sasol's taxed profits in the last financial year totalled R1,9-billion, making it the country's second most profitable company.

By cutting Sasol's support package in half next year, the government will save 3c a litre, or R500-million, which could be used to build houses and schools.

Economist Tony Twine, of Econometrix, said the inflation rate would drop by about 0,2 percent if the subsidy saving was passed on to consumers. But, he said, the government might be tempted to hang on to the extra revenue.

Mr Botha said the decision by the previous government to go ahead with Mossgas was a "commercial mistake" that needed to be rectified.

"South Africa found herself isolated and there was over-eagerness to represent this project as an insurance policy which might save us if the importation of oil were to be stopped."

He said the government would have to indulge in one last bout of spending and pump some R443-million into developing "satellite gas fields" to keep would-be buyers interested and help "to attain the optimal commercial value of the gas reserves".

A second request by Mossgas — that R400-million be spent on compression to improve the flow of gas from the current field — would be turned down.

Mr Botha said it was "totally impossible" to put a price on Mossgas as there were so many ways in which buyers might want to use the facility.

He said consultants should be appointed to begin establishing what sort of interest there was in Mossgas from the private sector.

●See Page 22 and
Business Times

Engen 'will soon get back revamping costs'

BD 4/12/95

(183)

Mungo Soggot

THE cost to Engen of its major restructuring, which had sliced its workforce by 15% in the 1995 financial year, would be recovered in less than two years, CEO Rob Angel said in the fuel company's annual report.

"I am confident that the short-term cost to the business will be recovered in less than two years and that we now have the foundation in place to enable Engen to compete and grow irrespective of the regulatory environment in which we find ourselves."

Restructuring and retrenchment costs of R79m, stemming from the group's Project Discovery restructuring programme, had helped chop operating income for the year to August to R270m from R547m.

Low refining margins, trouble at its new refinery in Durban and hefty restructuring costs cut its earnings to R117m from R418m on turnover up at R9bn (R8,45bn).

The slump in international refining margins had clipped Engen's average realised margin to \$4,18 a barrel this year, from \$4,85 last year

Angel said Project Discovery hinged on positioning Engen as the most competitive local player, making the group's culture more South African, and revamping its management structure "The past year has been one of introspection, transformation and restructuring," he said.

"Unquestionably, the uncertainty associated with a transformation project of this magnitude has been to the detriment of employee morale and motivation. However, the major organisational restructuring is now complete and signs of an improved organisational climate are becoming increasingly evident."

Angel said the group had benefited from successful cost control during the year. Despite higher sales volumes, the increases in cash expenses had been kept to about 6%.

Engen chairman Bernard Smith forecast a major improvement in its operational performance in the coming year, particularly at its refinery, and looked forward to strong market growth. However, international refining margins would, at best, stage only a modest recovery.

Mossgas decision 'could be delayed'

(183)
Mungo Soggot

BD 4/12/95

MINERAL and Energy Affairs Minister Pik Botha could change his mind over plans to extend a R443m lifeline to Mossgas in the light of new information suggesting a decision on future investment could be delayed a little longer, sources said yesterday.

"There is lots of new information coming in all the time. The decision is a moving target until Wednesday. But now that there is less urgency about it, the Cabinet is likely to delay further investing any money," a source said.

He said new evidence showing the existing gas would run out in April 1997 — not January 1997 as previously thought — meant government could delay any investment decision for a few months while it tested private sector interest in the project and continued to explore its options.

Botha is expected to hand Cabinet his proposal on Mossgas on Wednesday. He was quoted in weekend newspapers as saying he would recommend

Continued on Page 2

Mossgas

(183)

Continued from Page 1

Cabinet allow Mossgas to spend R443m on tapping new gas fields — but not the additional R400m it had wanted to spend on sucking the existing gas out. Spending R443m — the compromise option — would give government time to find a buyer for the R1.1bn project

A source said Botha had also been presented with new evidence showing that just going for the R443m option could be an unwise compromise and that government should either go for the full R850m package requested by the Central Energy Fund or nothing

Meanwhile, a source close to Botha confirmed he would propose to Cabinet on Wednesday gradually phasing out Sasol's subsidy over four-and-a-half years. Its protection next year would fall to about R625m from this year's R1.1bn. Industry sources said the gradual phase-down matched the proposal put forward by consultants Arthur Andersen, who were commissioned by the National Economic, Development and Labour Council to

study Sasol's government support.

However, the initial chop was more severe than Arthur Andersen's recommendations which would have seen Sasol's protection fall to between R700m and R800m, depending on the price of oil. Sources said Finance Minister Chris Liebenberg had been keen to cut Sasol's handout to R500m, so as to free up for other state spending the 7c/l motorists paid for Sasol.

The SA Petroleum Industry Association (Sapia), which represents Sasol's crude oil rivals, said the proposed cut was not enough. "The subsidies must be removed altogether," director Colin McClelland said. "The only beneficiaries from continued taxpayer subsidies will be the few shareholders of one of SA's biggest and most profitable industrial companies."

Sapia called on government to think again about its decision "at a time when funds are desperately needed to balance the Budget, support the development of small business and ease the lot of the poor"

It also dismissed Sasol's allegations that Sapia's members had made 70% of profit abroad as being "either mischievous, or based on naiveté or incorrect information".

Delay in Mossgas decision 'is futile'

BD 6/12/95

(183)

Mungo Soggot

MOSSEL BAY — Delaying any investment decision in Mossgas would be futile and would make its management's already trying task even harder, Mossgas MD John Theo said yesterday.

The fate of the oil-from-gas project hinges on Minerals and Energy Affairs Minister Pik Botha's proposal to Cabinet due today.

Theo said it was impossible to wrap up firm contracts for Mossgas' local and foreign chemical and gas sales while the future of

the plant hung in the balance

Botha was expected to propose either spending R443m on developing new gas fields while Mossgas was put up for sale, or that any future investment decision be postponed to gauge private sector opinion. This would give government more time to decide whether to commit more money to the R11bn project.

"We won't know anything in three months time that we don't know now," Theo said.

"Testing the market would take six months to a year."

Decision on Sasol subsidy will be 'far-reaching'

(183) CT 6/12/95

THE decision by the cabinet today on whether to continue the subsidy to Sasol would have far-reaching consequences for the liquid fuels industry in South Africa, the SA Petroleum Industry Association (Sapia) said yesterday

Sapia director Mr Colin McClelland said the decision would also have far-reaching consequences for future local and foreign investment in the country

Sasol was highly profitable without any subsidy and was making profits of more than twice the combined profits of the conventional crude oil refining and marketing companies in the country, he said

"Removing the subsidy should have no effect on Sasol other than to reduce overall profits enjoyed by shareholders"

He said the cabinet's decision on the issue could not be postponed any longer. If the government decided to continue with

the subsidy, it would have to ask itself why. Despite assurances of open-handed consultation between the government and all parties concerned it had become apparent Sasol had been intensively consulted and Sapia's members largely ignored, Mr McClelland said

It appeared the cabinet would take a decision within the framework of the Arthur Andersen report, which Sapia had criticised as highly flawed, he said

Mr McClelland said it appeared the government was determined to use this framework to continue an economically unjustified subsidisation of a private company

A decision favouring the continued subsidisation of Sasol would be a severe blow for the prospects of deregulation and cheaper fuel in SA, which could benefit the whole economy, he said — Sapa

Natal university atones for racism

CT 6/12/95

OWN CORRESPONDENT

DURBAN: The principal of the University of Natal, Professor Brenda Gourlay, last night offered an unqualified public apology to those past students who had been hurt by the institution practising discrimination

Two thousand former students, staff, and their families attended a special "Reconciliation Graduation" ceremony for graduates of the Medical School, which had been reserved for blacks, coloureds and Indians for decades

Speaking at the ceremony, Prof Gourlay said the university had owed the students an apology for a very long time. Many graduates had lost contact with the university for many reasons, but she wanted them to know that the process of transformation was well under way

The inscription on the scrolls presented to the graduates recorded that the university acknowledged the past injustices of apartheid, both within the university and in the broader society

Move to speed farming policy

PRETORIA: President Nelson Mandela had ordered his director-general Professor Jakes Gerwel to arrange the formation of a ministers' committee to review the agricultural policy changes now under debate, the President's office said yesterday.

Responding to criticism from the SA Agricultural Union over the delay of over three months in setting up the committee, the President's office said Mr Mandela had also been concerned to learn it had not yet been established

"President Mandela appreciates the important role the farming community is playing in South Africa. It has been agreed Professor Gerwel will assist the minister (of agriculture Dr Kraai van Niek-erk) in convening the meeting early in 1996"

CT 6/12

Big decision on Sasol due today

THE cabinet today faces a momentous decision with far-reaching implications for the liquid fuels industry and future local and foreign investment, the SA Petroleum Industry Association has said. (183)

The issue involved the taxpayers' subsidy to Sasol, said director Colin McClelland ARG 6/12/95. Sasol was highly profitable without any subsidy and was making profits of more than twice the combined profits of the conventional crude oil refining and marketing companies in South Africa, he said.

"Removing the subsidy should have no effect on Sasol other than to reduce overall profits enjoyed by shareholders."

The cabinet's decision on the issue

could not be postponed any longer.

If the government decided to continue paying the subsidy, it would have to ask itself why.

It appeared the cabinet would take a decision within the framework of the Arthur Andersen report, which the association had already criticised for being highly flawed.

"The government's decision offers a unique opportunity to send out a positive signal to investors, domestic and foreign," Mr McClelland said.

A decision favouring the continued subsidisation of Sasol would be a severe blow for the prospects of deregulation and cheaper fuel in South Africa, both of which could benefit the whole economy. — Sapa.

US-SA bid to find cheap fuel alternatives

(183) ARG 6/12/95

□ Experts for pollution workshop

PRETORIA — Government attempts to curb urban air pollution caused by coal-burning will be discussed at a two-day workshop on low-smoke fuel attended by United States experts next year, Mineral and Energy Affairs Minister Pik Botha has announced.

The department will co-operate with its US counterpart to find an alternative for coal — preferred by the poor in winter because it is cheaper and more effective than electric heating.

Mr Botha, in a report on the activities of the sustainable energy committee to the US-South Africa Binational Commission meeting, said the programme included studying low-smoke fuel programmes overseas and several large-scale demonstration projects.

"Luckily, South Africa has spare energy capacity, but if our political emancipation is to be followed through with economic liberation, ways must be found to convey to those who wait for it to transform their lives," Mr Botha said.

In terms of the Reconstruction and

Development Programme, about 2,5 million additional households will have received electricity from Eskom by the year 2000. This amounted to 500 000 connections a year.

However, millions of South Africans in rural areas were too far from urban electrical grids to be connected cost-effectively. While solar power was a solution, its implementation was hampered by a lack of money.

A non-profit subsidiary of the Central Energy Fund, Renewable Energy for South Africa, hopes to provide 2,5 million households with financing for solar panels in the next 20 years at a cost of between R6 billion and R7 billion, Mr Botha said.

The department will initially provide Refsa with R6,1 million over three years in addition to the US Energy Department's \$1,1 million (about R3,96-m) grant via the US Agency for International Development.

The annual use of 12 million tons of traditional fuels like dung, firewood and crop waste by 14 million South Africans still constituted an energy crisis, Mr Botha said. — Sapa.

Buyer sought for Mossgas

Subsidies for Sasol to be phased out

(183)
BD 7/12/95

Mungo Soggot

GOVERNMENT began burying SA's siege-mentality on fuel yesterday, unveiling plans to end Sasol's subsidies and put Mossgas up for sale.

Mineral and Energy Affairs Minister Pik Botha said government would immediately slash R500m from Sasol's subsidy, and leave the private sector to come up with a solution to Mossgas.

He said he was relieved that the thorniest issues facing him had been dealt with.

Sasol claimed the move, which will leave it with just half the R1,1bn it got this year, was harsh, but accepted it.

Mossgas was unavailable for comment yesterday, but Botha said if no buyer came forward by February he would accept controversial plans by managers of the R11bn scheme to pump R850m from its own coffers into a life-lengthening expansion. Government would also consider entering a joint venture with a private sector partner to run the plant.

Botha said the beauty of his proposal on Mossgas, which delays any investment decision, was that it was so flexible. Mossgas management said this week further delays on the plant's future would make management's already difficult task even harder.

The briefing, which followed Cabinet's approval for Botha's proposals,

now frees the minister to devote his attention towards tackling the industry's deregulation. He said his department already had plans at hand, which included phasing out barriers to new competitors in the fuel retail sector.

Botha and Sasol claimed the winding down of Sasol's "tariff protection" was in line with the recommendations put forward by consultants Arthur Andersen, which the National Economic Development and Labour council commissioned to investigate the future of government support for Sasol.

However, Botha conceded there had been "slight deviations". Arthur Andersen's recommendations would have cut Sasol's subsidy to between R700m and R800m next year.

Sasol's protection is based on the difference between the ruling oil price and a set floor price, which is currently \$21,40. The phase out would see the floor price drop to \$19 in January next year, \$18 in July, and "thereafter protection will be phased down in such a way that there will effectively be no protection by July 1999".

Botha said government had departed from Arthur Andersen's proposal to keep the floor price at \$19 for the whole of next year because Arthur Andersen had made "certain assumptions" which had not been borne out. The motorist

Continued on Page 2

Sasol (183)
BD 7/12/95

Continued from Page 1

would not cash in on the drop in Sasol's protection as the money would be used for other state spending, he said.

However, he also announced plans to change the mechanism which gave Sasol its protection. Sasol gets its protection from the equalisation fund which is fed by the extra 9c a litre motorists pay for their petrol. Sasol communications GM Pat Davies said the new mechanism could be either a duty on imported crude oil, or, more likely, a duty on refined product.

The crude oil refining companies in SA, represented by the SA Petroleum Industry Association (Sapia), have hit out in the past at any talk of a duty on imported crude. Sapia said yesterday government's move to cut Sasol's hand-out was a step in the right direction,

but "there is no justification for Sasol's already healthy profits to be boosted by taxpayers' subsidies".

Davies said Sasol would strive to create jobs in its downstream chemicals operations at Secunda.

Botha said government "had a vision" of Sasol creating 150 000 jobs in exchange for the gradual phase down.

On Mossgas, Botha said there had been some interest in the project from the private sector.

Sentrachem, which together with Sasol and AECI was proposing to buy Mossgas and turn it into a chemical plant, had already sent him details of its plans.

Industry sources expressed doubt that government would find a buyer quickly. It was likely Mossgas would get the go-ahead for its plans to extend the plant's life from April 1997 to 2001.

Picture: Page 8
See Page 15

Glaxo-Wellcome in deal with Adcock

(183) BD 7/12/95
Beatrix Payne

MULTINATIONAL drug conglomerate Glaxo-Wellcome is teaming up with Adcock Ingram in a marketing and distribution drive across Africa.

The £6.4bn-a-year group — one of the heaviest spenders on research and development in the industrial world — will market products with Adcock

The UK-based group said the tie-up was the first stage in a relationship with the CG Smith subsidiary.

Adcock CE Don Bodley said the alliance could cover other activities in distribution and marketing. A spokesman said there would be no effect on management of either group. Equity would not be exchanged. Bodley would not say how the deal would affect Adcock's research. The alliance was expected to offer growth opportunities.

Glaxo-Wellcome CE Andrew Witty said it was group policy to develop partnerships with local companies.

Glaxo, which bought Wellcome for £9.4bn earlier this year, has begun a radical rationalisation programme to weld the two companies together.

'Interest cut must wait'

Edward West

CAPE TOWN — The low level of SA's foreign-exchange reserves and high level of credit extension indicated the time was not ripe yet for a cut in interest rates, Boland Bank said in its Economic Review

Economist Francois Jansen said he expected the Reserve Bank to maintain current interest-rate levels until at least the end of the first quarter of next year

The money supply guideline rates, as fixed between 6%-10%, were being exceeded by an average of 4% and the Bank had repeatedly stressed that excessive credit growth could not continue unchecked

Comparing the money-supply rate with the increase in transactions and price rises in the economy, it was evident a situation of "surplus money" was developing, with negative implications for future inflation

Average inflation for this year was expected to be 8,7%, the third consecutive year of a single-digit inflation rate. The gap between SA and its major trading partners' inflation rates had currently reached a 14-year low of 2%-4%.

After fairly comfortable levels for most of the year, the money market deficit was currently around R6bn, which pointed to upward pressure on interest rates.

No tariff protection for Sasol by 1999

BD 7/12/95 (183)

Michael Urquhart

ANALYSTS welcomed the Cabinet's proposals to reduce tariff protection for Sasol, saying the way in which it would be cut was probably a best-case scenario for the synthetic fuels producer.

The Sasol share price responded positively, moving up 25c or 0,9% to close at R27,25 yesterday. The counter hit a year low of R26,25 on Monday.

The way in which protection would be reduced would be in line with the Arthur Andersen report recommendations, although the company would be squeezed in the 1997 financial year.

Sasol received a floor price of \$21,40 a barrel, but this would be reduced to \$19 a barrel in the first half of next year, and to \$18 in the second half. After this protection would be phased down until there was none in 1999.

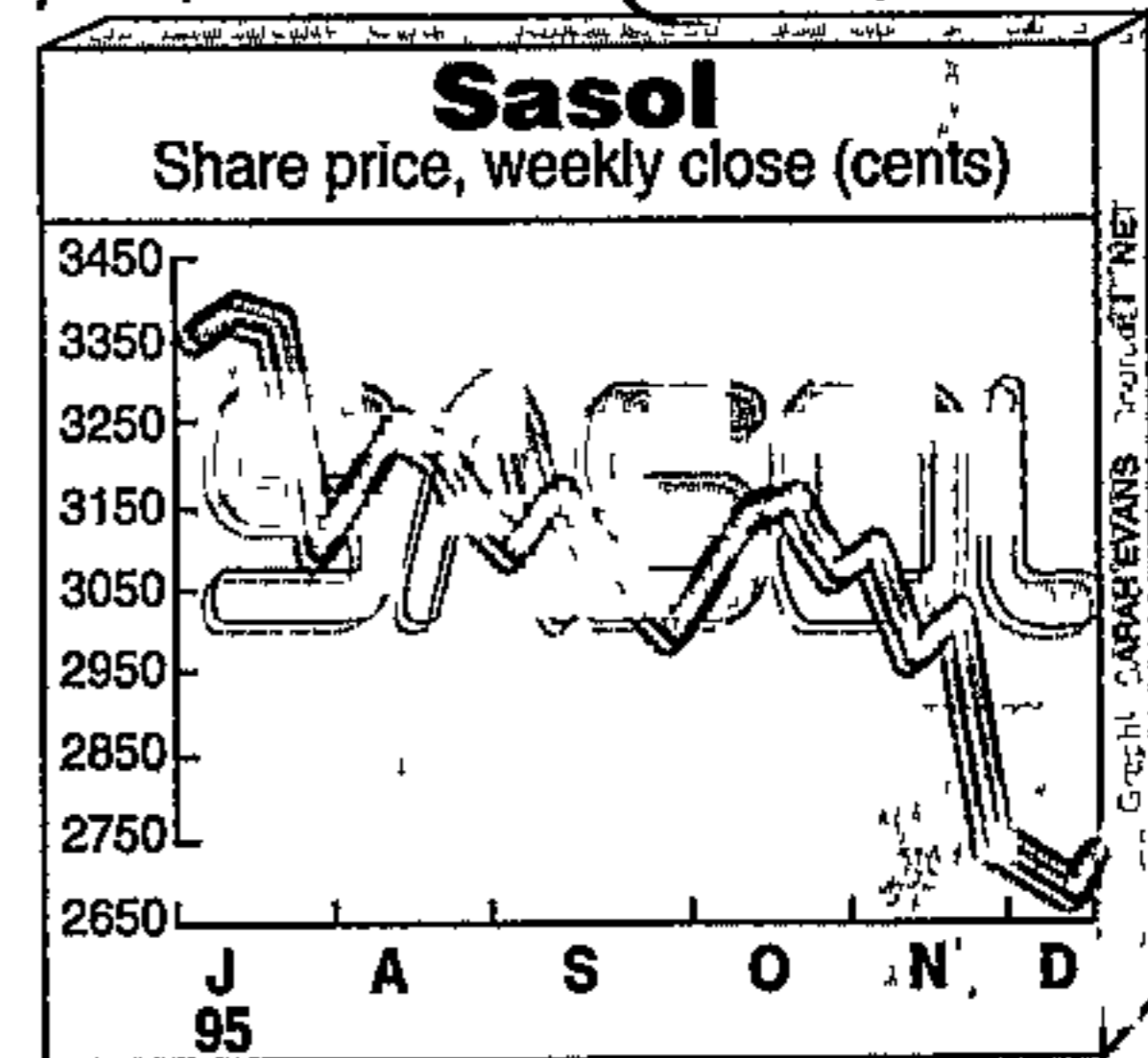
One analyst said rather than depressing the share price, the announcement of reduced tariffs had already been shown in the share price and the clearing up of the uncertainty surrounding the issue could lead to a higher price.

Mineral and Energy Affairs Minister Pik Botha, announcing the Cabinet's decision yesterday, said the move would free R600m from the equalisation fund for the fiscus next year.

But despite the fall in protection, analysts said the move was positive for Sasol, as the Cabinet could have easily decided to cut protection immediately.

"The company could have survived an immediate total tariff phase-out as it would still be profitable without protection. But it would throw Sasol's business plans out of balance," one analyst said.

He said most arguments which Sasol had made against reducing tariff levels, such as loss of jobs or foreign



exchange earnings, were mere smoke-screens. The only argument of substance which Sasol had made was that protection should not be removed in one blow.

The difference between the Arthur Andersen report, which is what analysts made their Sasol forecasts on, and the actual proposals revolve around the speed at which tariffs are to be phased out and the total dropping of protection.

The phasing out of tariffs for the 1997 financial year would be at a faster rate than had been proposed, which analysts said would lead to flatter earnings in that year. Reducing tariff protection to zero was in contrast to the Andersen report's recommendations of a minimum protection level.

Botha also said consultants would be appointed to assist in testing the market for the privatisation of Moss-gas. The Cabinet had not wanted to take a final decision on the development of satellite fields.

Sasol is one company which has already expressed interest in Moss-gas, as part of a consortium with Sentra-chem and AECI.

Government slashes Sasol's synfuel subsidy

CT(DR) 7/12/93

By CHARLOTTE MATHEWS

Johannesburg — Tariff protection for the synfuel industry would be slashed from next year, the Cabinet announced yesterday.

Mineral and Energy Affairs Minister Pik Botha told a news conference yesterday that the Cabinet had decided to divert synfuel tariff protection of more than R600 million from Sasol and Moss gas to the tiscus next year and greater amounts in ensuing years. By July 1999 there would be no protection for syntuels.

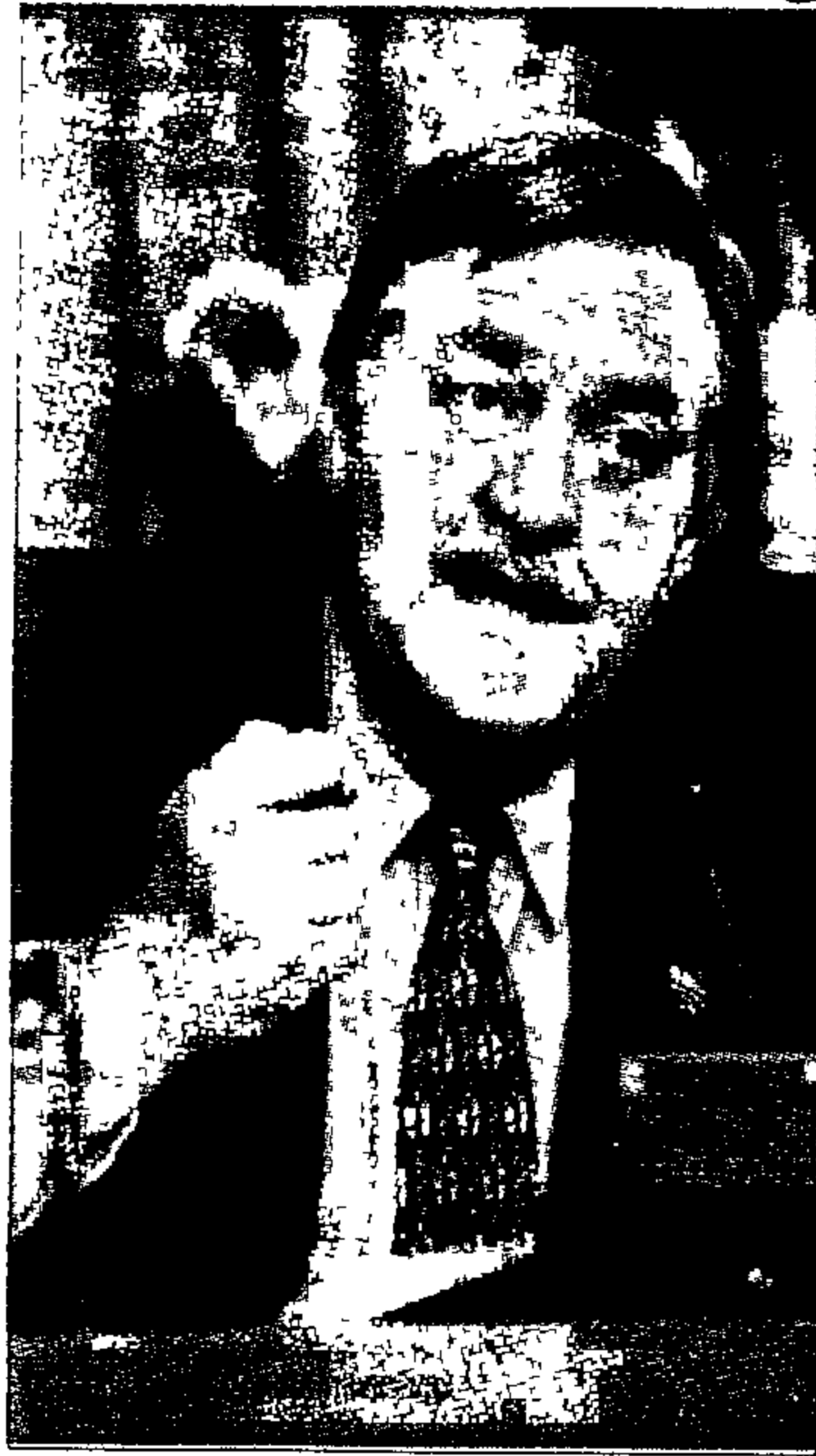
Botha said the protection afforded to Sasol, which kicks in when the imported price of oil touches \$21,40 a barrel, will only apply at \$19 a barrel from January to June next year and at \$18 a barrel for the rest of next year. Sasol's tariff protection amounted to R1 billion during the financial year ended June 25.

Botha said the reduction of protection was in line with the Arthur Andersen report recommendations, although he conceded the \$18 a barrel applying for the second half of next year was harsher than the report's recommendation, which was that \$19 a barrel be maintained as the subsidy rate for the full year.

A new mechanism for calculating the protection will be devised and put in place before the end of next year, which will take into account the government's strategy for the liquid fuels and petrochemical sector.

Sasol had made certain commitments, Botha said. The government's aim was to provide 150 000 extra jobs in the Secunda area through the development of downstream petrochemical industries.

As far as Moss gas was concerned, the Cabinet had accepted a proposal that the market be tested urgently to discover the level of private-sector interest in buying part or all of it. International consultants would be appointed to find buyers



WHITTLING AWAY Pik Botha addresses a news conference in Pretoria on the government's decision on syn-fuels yesterday. Sasol will rise to the challenge, says managing director Paul Kruger. PHOTOS: JOHN WOODROOF

and the cost would be borne by the Central Energy Fund.

In addition to taking the initiative to sell Moss gas, the government would also see if joint ventures could be concluded with parties who might be interested in developing its satellite or compression systems.

It was projected that about R850 million could be generated on the R443 million invested in the satellite system and R1,6 billion on the R400 million invested in the compression system, Botha said.

In a separate news conference later in the afternoon, Sasol's gener-

al manager Pat Davies said the Cabinet's decision was harsh, but Sasol was pleased that a decision had finally been made.

Based on the current floor price of \$21,40 a barrel and assuming prices remained below that, Sasol's expected loss of revenue over the next four-and-a-half years was about R3,4 billion.

Sasol's managing director Paul Kruger said the group was confident that new technology would avert a lot of the negative consequences of the tariff reduction. But it was difficult to say what the effects of the reduction would be on profit

in the next financial year.

The Cabinet's decision was based on the full involvement of labour, business and government. Sasol "endorses this process and will therefore have to live with the outcome, onerous as it may be", he said.

The South African Petroleum Industry Association found it "astonishing" that the government would continue subsidising Sasol.

"The government owes an explanation to the (public) who provides the funds to pay the subsidy when they buy petrol, diesel and paraffin," it said.

For sale signs go up as SA accounts the staggering costs

(183) AR4 7/12/95

FOR SALE: Relic of apartheid era. Would suit wealthy foreign or domestic company. A renovator's dream. See news. A report on the history of the Moss gas debacle.

The story is told that when former Energy Affairs Minister Pieter Steyn announced the go-ahead for Moss gas, he did so in an understated way, not perceived about its chances of success.

When president P W Botha hauled out of a cocktail party and told to get on television and tell Africa what a great scheme it

The ambitious scheme would cost R4,8 billion, the government

Today capital costs are widely acknowledged to have been about R1 billion, among the most speculative sums spent on any single project which had no nobler aim than propping up apartheid

as a cushion against any disruption in foreign oil supplies to Africa, it was to prove a very expensive cushion indeed — and by the time it was a comfortable one.

The project started in early 1989 and was in full operation by January 1993

By January 1993 there was already widespread belief that the project would not prove a paying proposition

March 1993 reports emerged that the government was pumping R1 billion into Moss gas from the equalisation fund, which at that stage was expected to have an annual revenue of about R1 billion

Although the Moss gas project was on stream, the government and the oil industry were at loggerheads on the amount of "synthetic fuel" payments which should be made to oil companies to cut back production to get Moss gas products

on to the market

In April 1993 a shock report revealed that, contrary to initial estimates Moss gas would have a life-span of 22 years' production, it would last no more than 16

In May that year parliament was told by then-Mineral and Energy Affairs Minister George Bartlett that Moss gas had not reached a commercial level of profitability

Then-director general Piet Hugo was reported as saying Moss gas had not been meant to be commercially viable, but had been a strategic decision by Mr Botha's government

Rejecting calls to mothball the increasingly controversial complex, he said "Moss gas is still a good investment, but it's not a commercial investment"

This was followed by a special probe by the auditor-general, Henri Kluever, whose findings brought into question whether Moss gas

BACKGROUND TO THE NEWS

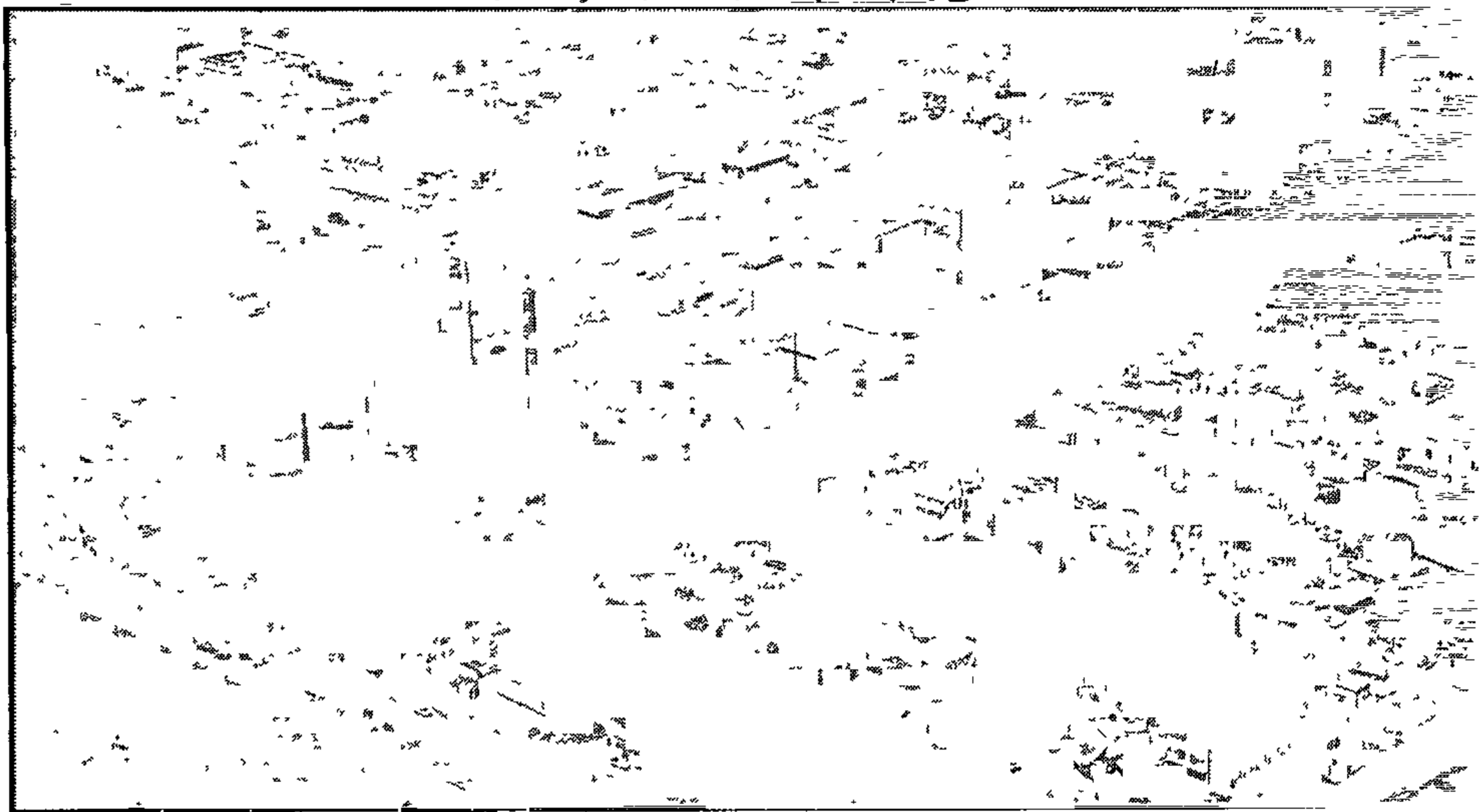
CLIVE SAWYER, Political Correspondent

should continue

It was possible the project could produce a cash surplus by the end of 2004, depending on several unpredictable factors, including the oil price, performance of the rand, level of actual reserves, continued regulation of the oil industry and tariff protection

Mr Kluever urged the government to undertake a "thorough re-evaluation" of Moss gas before any further capital spending.

The cabinet decided in September 1993 to allow Moss gas to continue,



WHITE ELEPHANT: Part of the Moss gas project which is up for sale, but on which the government expects a staggering loss

recommendations by the parliamentary joint standing committee on public accounts that any investigation into the future of the plant should be verified independently

The committee had said there should be no further spending on the project pending the outcome of a feasibility study

There was speculation by May that the government could hope to raise R2,5 billion by selling the complex, meaning a loss on capital costs of about R8 billion

With its gas running out and money draining into it, Moss gas was ripe for a fall

This week the cabinet tacked the For Sale sign outside one of apartheid's costliest monuments

in spite of ever more strident pressure to close it

It was estimated that by then consumers were subsidising Moss gas and Sasol to the tune of about R100 million a month.

By September last year it emerged that Taiwanese companies were expressing an interest in taking over Moss gas to convert it to the hub of a new petrochemical industry in the region

In November, Mineral and Energy Affairs Minister Pieter Botha announced he had accepted recom-

'Appalling loss' is predicted in selling of R12-bn Moss gas

CLIVE SAWYER, Political Correspondent

THE government expects to make an "appalling loss" on the capital costs of Moss gas, which cost R12 billion to build

There are no indications yet how much the complex will be sold for.

Mineral and Energy Affairs Minister Pieter Botha has labelled the Moss gas saga "a Greek tragedy". But the advantage of putting the controversial complex up for sale is that it would enable the government to know what would-be buyers would be about opening up satellite gas fields

International consultants are to be appointed to find buyers. The cost of the exercise will be borne by the Central Energy Fund

The government will investigate setting up ventures with parties interested in developing satellite gasfields.

There have been several approaches to the government this year after earlier reports that the complex could be put up for sale.

Among those who have expressed interest are companies from Taiwan, Saudi Arabia and Germany, as well as Sasol, AECL and Sentrachem. Leading options for the complex include converting it to an oil refinery, a petrochemical plant or a methanol plant.

While these were the "main themes" of the study, possible uses, Moss gas itself had done a study involving 30 to 40 variations.

A buyer would probably carry on with the synthetic fuels operation, at least in the short term, to prevent deterioration of the plant.

The government is likely to favour an option which would keep as many jobs as possible, and possibly create further jobs.

This meant that the methanol plant option was problematic because it was not as labour-intensive as the present process.

The government is reluctant to predict a price. Mineral and Energy Affairs spokesman Pieter Darroll said: "We must face facts that on the balance account there will be an appalling loss".

The plant had a valuable asset in an annual loss of about R8 million, about which the government was likely to take a tolerant view, and it to work in favour of the buyer.

Mr Darroll said there would probably be "kinds of incentives" to sweeten the deal.

Moss gas could be developed into the hub of a petrochemical industry in the region.

"It could be a kind of Secunda complex 10 years from now."

There was a difficulty in deciding what to do with the plant because the gas would start flowing from next year.

A would-be buyer could criticise the government for failing to develop the satellite fields — or for developing them if that was not what was required for future development

Mossgas up for sale, says Govt

(183) / Mar 7/12/96

The Government has decided to sell the white elephant Mossgas project to the highest bidder, Mineral and Energy Affairs Minister Pik Botha said yesterday.

The Mossgas off-shore oil-from-gas facility has cost taxpayers up to R11-billion and was designed to increase South African self-sufficiency in fuel during the total onslaught era in the 1980s, he told a media briefing after the Cabinet meeting at the Union Buildings in Pretoria yesterday.

Botha also announced the phasing out of synfuel subsidies over a 4 1/2-year period. He said R600-million would be saved up front from the cut in subsidies and would be diverted to the Treasury instead of to Sasol. — Political Correspondent.

► See Business Report

Indian firm to make latex

products here

(183) CF 8/12/95

BY CATO FEDDER

Pietermaritzburg — Aerolates, an Indian latex mattress and pillow manufacturing company, is to establish a R7 million plant here next year.

The first phase will start in January at the Mkondeni Industrial Park and production is expected to start by the end of next year.

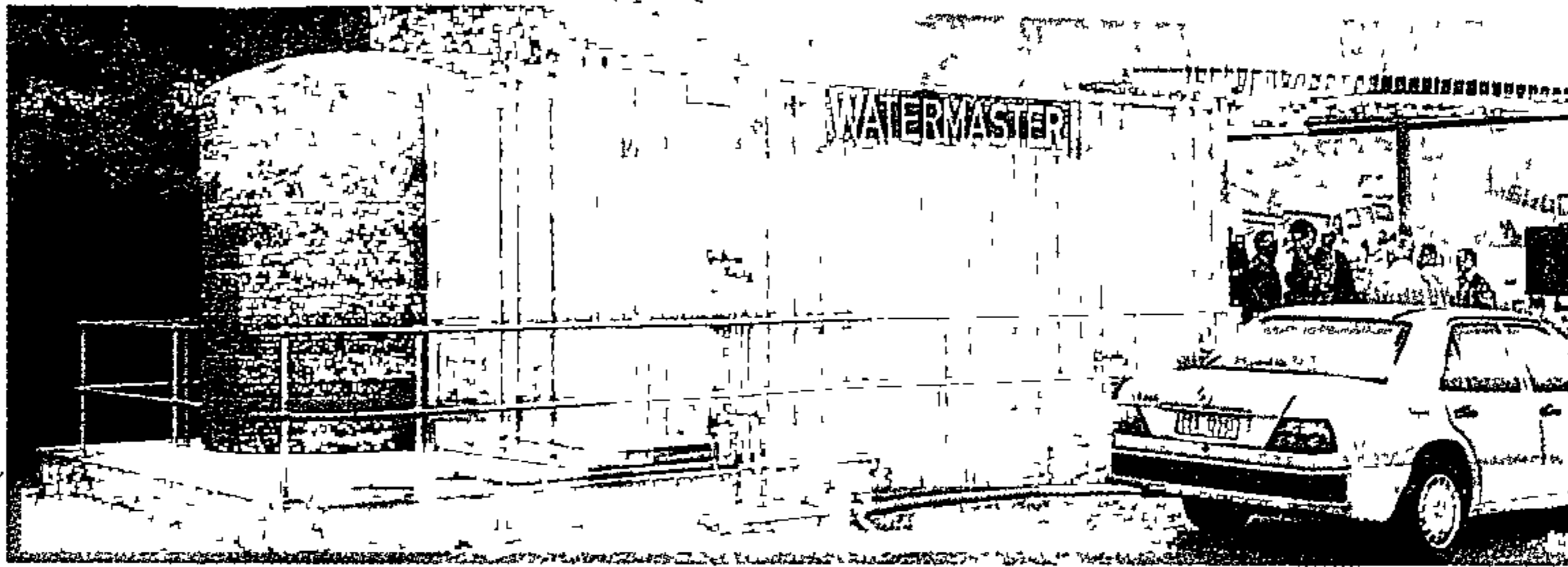
The company will import barrels of latex from India to manufacture mattresses and pillows for the local and export markets.

Initially, the project will create 50 jobs in the area, with management to be drawn from South Africa and Aerolates in India.

Latex foam mattresses are made from natural raw material, unlike polyurethane foam.

This will be Aerolates' first venture outside India, but its managing director, K Jayashanker, believes there is a definite market in South Africa for the company's product.

Forty Winks has been appointed marketer and distributor here.



Pictures DENNIS CAVERNELIS, The Argus

DESALINATION PLANT: The Watermaster desalination plant was switched on in Strandfontein, north of Doring Bay, this week. The plant purifies sea water, making it drinkable and suitable for domestic use.

Mossgas sale a boost for Mossel Bay

(183) ARG 8/12/95

Staff Reporter

A NEW sense of optimism is sweeping through the Southern Cape town of Mossel Bay after the cabinet's decision to sell off the town's white elephant, Mossgas

Reg Culbert, chairman of the Mossel Bay Marketing Association, said he did not think the impending sale would affect the town negatively.

"Whoever buys the plant will make a success of it and I think the town can only grow from here on. All the negative publici-

ty we got as a result of playing host to the operation will hopefully come to an end

"Mossel Bay is a beautiful town offering all sorts of attractions to visitors and now that the cloud has been lifted we can get on with the job of making it one of the country's premier tourist destinations"

Afrikaanse Sakekamer chairman Danie Acker said while the town's businesses knew very little about the details of the sale, they were positive and in favour of it

"We just hope finality can be

reached soon and that a good buyer will purchase the asset so the present uncertainty can be removed. For business to grow we need to plan ahead, but this uncertainty is making it very difficult

"On the whole we are very optimistic and positive about the latest moves as the town has a lot of things going for it. Property developments have sprung up all over. We've just built a new private hospital and magistrate's court and a lot of businessmen are inquiring about wanting to set up shop in the town"

ADCOCK INGRAM

(183)

FM 8/12/95

Regaining investment attractions

Activities: Makes, markets and distributes pharmaceutical, hospital and consumer products

Control: Tiger Oats 73,5% Ultimate control lies with C G Smith

Chairman: R A Williams MD D C Bodley

Capital structure: 138m ords Market capitalisation R2,60bn

Share market: Price R18,75 Yields 1,9% on dividend, 5,1% on earnings, p e ratio, 19,6, cover, 2,7 12-month high, R18,75, low, R13,75 Trading volume last quarter, 307 000 shares

Year to Sep 30	'92	'93	'94	'95
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,56	0,57	0,60	0,65
Int & leasing cover	52,0	n/a	n/a	n/a
Return on cap (%)	28,3	27,5	28,2	26,8
Turnover (Rbn)	0,92	0,97	1,01	1,17
Pre-int profit (Rm)	142	160	171	191
Pre-int margin (%)	16,4	16,5	16,9	16,4
Earnings (c)	56	72	82	96
Dividends (c)	21	27	31	36
Net worth (c)	201	242	263	337

Adcock Ingram (AI), after some far-reaching restructuring and realignment, is again starting to look like the blue chip of the pharmaceutical sector

Its long track record of strong and consistent growth took a knock in the previous two financial years, mainly from a crunch on turnover as distribution activities came under severe pressure

Compared to the 4% growth in sales over financial 1994, last year's 15,5% increase probably marks a new growth phase for AI. Considering that the increase is close to the seven-year compound annual growth of 16,3% and was achieved in an environment of lower inflation, earlier remedial action is clearly paying off

Group CE Don Bodley says the sales advance was influenced by a strong performance from the pharmaceuticals division and increased market share from self-medication, consumer products, and Vesta Medicines, a joint venture which sells nutritional products and branded generics

Turnover was also bolstered by the first-time consolidation of Vesta and Datlabs, AI's Zimbabwean operation. However, a segmental breakdown shows all but one of the restructured five divisions increasing turnover

Cash generation, traditionally one of AI's

greatest strengths, was cut by nearly 10% to R182m by higher working capital requirements. Bodley says the strong sales growth over the second half — 19% higher than the corresponding period — caused the increase in working capital

"This was especially evident in respect of accounts receivable where collection times increased," he says

However, cost containment and asset management kept cash flow positive, which Bodley says enhances AI's ability to invest in research and development, promote and grow brands and make "a significant investment"

The last point raises an interesting problem for AI. Completely debt free for the past four years, cash holdings grew from R75m to R117m in financial 1995

The only financial ratio objective AI could not match was its 30% return on average total assets. Despite the good operating performance, this return was 29%, and would have been constrained partly by the large increase in cash holdings

No doubt the strong balance sheet makes management sleep easier, but the group needs to find a suitable acquisition. And there is not much available in SA

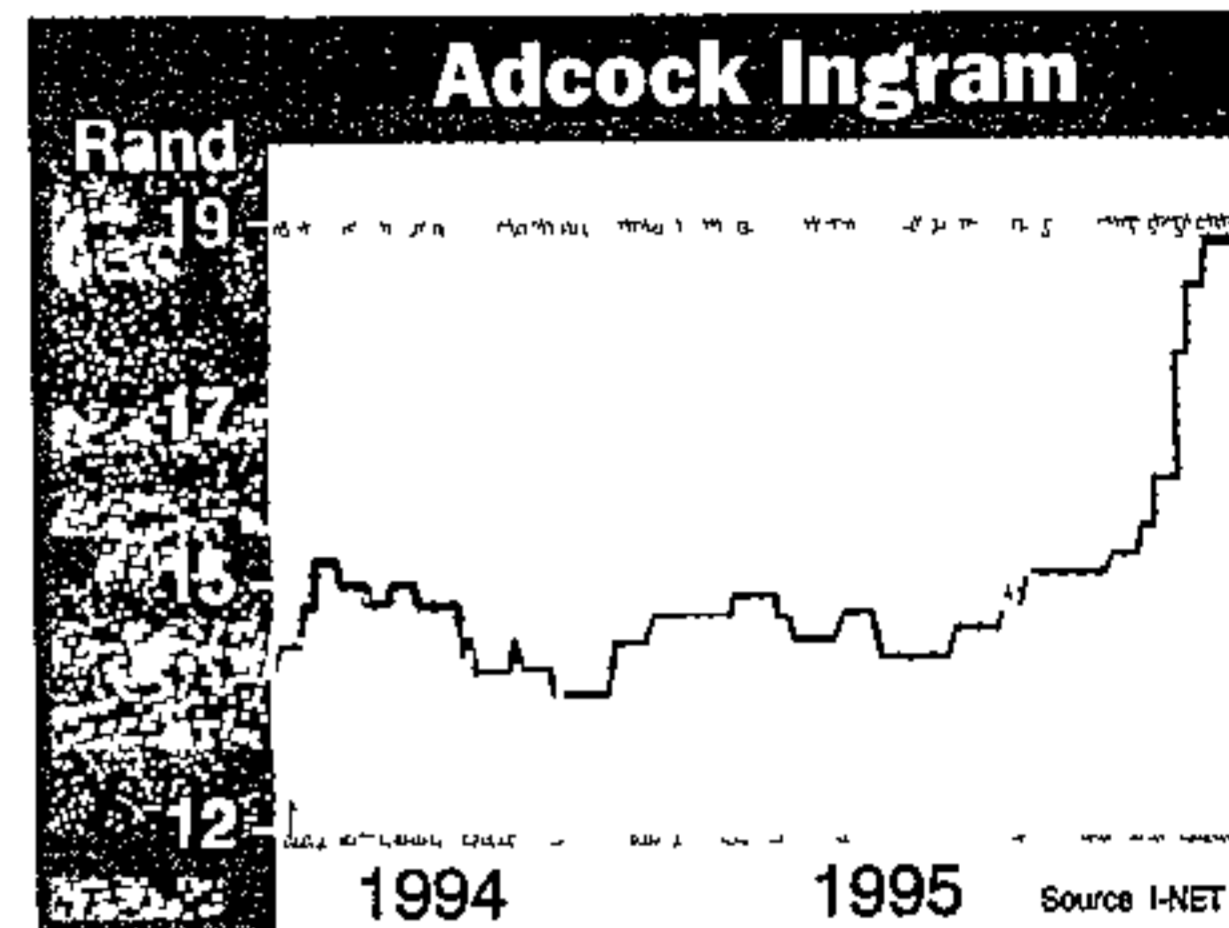
Bodley considers an outright purchase unlikely, preferring to grow market share through a strategic alliance. AI has already followed this route with international groups Astra, Pharmacia and Eli Lilly. A similar alliance could be entered into this year if AI finds the right partner

The improved performance has firmed the share

price, which gained 34% over the past year, most of it since preliminary results were released. Bodley says earnings growth is expected to surpass the 17% increase just recorded — analysts say they will be surprised if the increase is less than 22% this year

There is not much difference in ratings between the three main listed pharmaceutical companies. The industry has been through a difficult period, and future healthcare policy remains unclear

But repositioning to meet expected changes should ensure a period of sustainable earnings. It could be time for investors



to start looking at the sector again. A share like AI will almost certainly be a stable investment

Shaun Harris

FM 8/12/95
SA DRUGGISTS (183)
Spending hump

Activities: Makes, markets and distributes pharmaceuticals and related healthcare products and services

Control: Malbak 75%

Chairman: G S Thomas MD P J J Benningfield

Capital structure: 67m ords Market capitalisation R2,35bn

Share market: Price R35 Yields 1,8% on dividend, 5,5% on earnings, p e ratio, 18,3, cover, 3,1 12-month high, R35, low, R28 Trading volume last quarter, 953 000 shares

Year to August 31	'92	'93	'94	'95
ST debt (Rm)	108	9	8	39
LT debt (Rm)	35	20	17	98
Debt equity ratio	0,38	n/a	n/a	0,03
Shareholders' interest	0,47	0,54	55,0	0,49
Int & leasing cover	2,6	5,4	25,0	9,1
Return on cap (%)	13,0	11,4	12,9	11,9
Turnover (Rbn)	1,51	1,84	2,15	2,47
Pre-int profit (Rm)	102	123	150	172
Pre-int margin (%)	6,7	6,7	7,0	7,0
Earnings (c)	94	123	159	191
Dividends (c)	50,0	51,5	56,0	62,0
Net worth (c)	727	971	1 048	1 043

† 17 month period

CE Pieter Benningfield says two significant features characterised financial 1995. SA Druggists (SAD) accelerated its strategic expansion locally and abroad, and a strong operational performance allowed the group to absorb the cost of this expansion and meet its forecast earnings growth

But the respectable 20% increase in EPS is unlikely to be topped this year. Investment of R247m last year and R235m this year for further expansion, including SAD's foray into managed health care, will depress the bottom line over the next two years.

Benningfield says investment in SAD's

health-care interests will peak this year and in financial 1997, with returns from the spending expected only in financial 1998. During this development phase, he believes EPS will grow between 15%-20% this year.

The heavy spending is in support of SAD's strategic thrust to keep the group in line with what chairman Grant Thomas calls the longer-term changes expected in the health-care system, both in SA and internationally.

At home this relates primarily to the ongoing debate over the country's future health-care policy. Thomas says participants agree on the need for change and the aim of a system which equitably serves the entire population by being affordable and accessible to all. "That is where the consensus ends, however, and there is a wide range of as yet unreconciled views as to how this aim should be achieved."

Important issues for SAD include the possibility of increased use of generic medicines (it is the largest producer of generics in the southern hemisphere) and the introduction of essential drug lists.

Though the debate on official policy is far from resolved, SAD is positioning itself for a future environment dictated by low-cost manufacturing, a comprehensive range of products, access to patient bases and alliances or contracts with other health-care players.

So far, SAD's strategy has been two pronged: to diversify into health care in SA and pharmaceuticals abroad.

Development of SAD's new division, Healthcare Management Services, will absorb the rump of capital spending. The division has taken over SAD's interest in Mediscor, the pharmacy benefits business, and acquired 75% of managed health-care company Medicross.

The 24 clinics owned by Medicross will be nearly doubled as part of the diversification into managed health care.

Internationally, Trinity Pharmaceuticals, SAD's UK arm, bought generics company Lagap. Beningfield says this makes Trinity a serious player in the UK market and will allow the company to enter European markets from its British base.

The final phase of SAD's Malawi plant, which is designed to supply regional markets with substantial volumes of essential



SA Druggists' Beningfield accelerating the strategic expansion

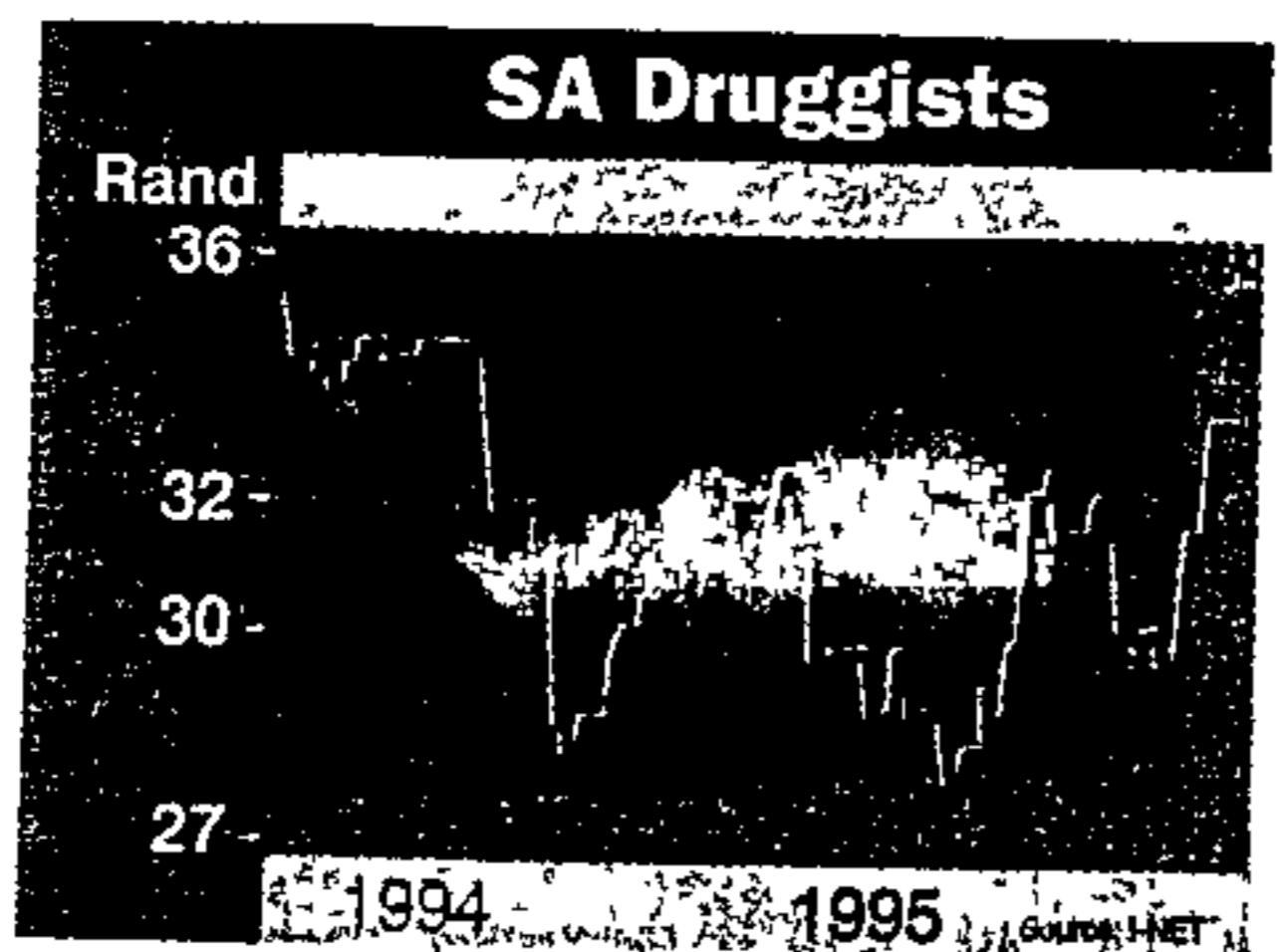
generic medicine and penicillin, was completed last year.

It's hard to fault the long-term thinking behind the strategic direction SAD is taking. The balance sheet has ample capacity to take on debt, even if the earnings base comes under strain during the vigorous expansion programme.

In the shorter term, though, the share is unlikely to offer fireworks. At R35, it has been marking time over the past year.

It probably offers long-term value, though the greatest risk to the industry — the future shape of health-care policy — is largely beyond the control of the pharmaceutical companies.

Shaun Harris



MOSSGAS

The last hurrah?

(183) FM 8/12/95

Three chemical giants — Sasol, AECI and Sentrachem — have structured a consortium to take over the Mossel Bay gasfields. The consortium — lead-managed by Sentrachem — says that by investing between US\$100m-\$125m in a brownfields development for the manufacture of methanol the lifespan of the gasfields could be extended by many years.

Sentrachem CE John Job says that though government has been approached the proposal is still provisional.

However, he adds that if the deal goes through, most of the capital will be spent on converting onshore facilities. The existing synfuel refinery would then have to be sold to other parties for possible conversion into a liquid-based refinery, utilising imported condensate or crude oil.

"But this is not our problem," says Job. "Government will have to do its homework in getting an interested investor to further develop this initiative."

He adds that the primary problem is that the synfuel plant is consuming the gas too quickly. But by using the same gas for the production of methanol, the life of the reserves can be extended by a factor of three.

While the consortium members would each use their portion of the methanol produced for the purposes they need, Job confirms that it is a useful starting material to manufacture additives for improving the performance of unleaded petrol — due to be phased in at SA pumps early in the new year. Methanol is also used as basic feedstock for the manufacture of acrylics.

Job says a prime consideration is that gas will be available "at a world-competitive price. If not, the whole concept will fail."

But he adds that, with "lots of hardware established," brownfields and conversion costs should be quite reasonable, at about 60% of the cost of a new greenfields methanol plant.

AECI MD Mike Smith says that it is early days to provide firmer details of the consortium's bid. Apart from waiting for government's initiative to invite private sector partners or buyers, gas reserves have to be proven, financial aspects finalised and feasibility studies completed.

But Smith adds that, while SA is a net methanol importer, plant production would be mainly focused on exports. "World

prices have come off quite sharply, but depending on gas prices we should be able to export quite profitably."

Smith says that the three partners might require proven gas reserves for "a minimum of 15 years" before they would consider a serious bid, which would entail recovering

ed to "run dry" by April 1997.

The satellite field development would give the refinery a further two years' gas volumes, while installing compression would allow the refinery to continue producing synfuels until 2001. The real issue is — who should pay for these developments?

Faced with the reality that its inherited R12bn Mossgas investment could progress from white elephant status to that of fossil dinosaur — that is, if the plant is allowed to expire early in 1997 — Mineral & Energy Affairs Minister Pik Botha feels that the first priority is to "take Mossgas to the market," allowing the private sector to put its proposals on the table.

"But the decision to develop further gas reserves and install compression cannot be delayed for too long — otherwise we could sterilise up to a third of our gas reserves," says Day.

Cabinet obviously must now look seriously at all options — including alternatives that would considerably extend the exploitable duration of the gasfields. ■



their investments — and future profits. "We are at a very preliminary stage and it could take a few months to put together a firm offer, following feasibility studies and government's confirmation that it is looking for buyers."

Meanwhile, Mossgas business development manager Dave Day says test results of "very promising" new gas reserves contained in the FO field, about 35 km from the existing Mossgas offshore platform in the Bredasdorp gasfield, should be available by the first quarter of next year.

But subject to what the results might show, Day says that the exploitation of the new gas field would be expensive, as an undersea pipeline would have to be laid to connect FO with the offshore platform.

"If exploitable, the new gas would cost about 50% more than the gas already being utilised at the Mossgas refinery to produce liquid fuels," says Day. Seismic tests are now being done by the State's oil search company Soekor to establish "how high and how wide" the new gasfield stretches.

The potential development of the new gasfield partly explains why government does not feel itself constrained to take an immediate decision on the R846m investment required. Apart from exploiting reserves of the existing F-A satellite fields adjacent to Mossgas at a cost of about R443m, a further R403m would be needed to add compression to the satellite fields and the fields already being exploited, now project-

MOTOR INDUSTRY — 1

Ford revs up

FM 8/12/95

While not insignificant, Ford's announcement that it is to invest R126m in Saicor's Port Elizabeth engine plant would normally not have caused that much of a ripple given the rand/dollar exchange rate.

But what is inherent in the deal is that Ford will use SA to source all its 1.4l high-torque, low emission engines for the Escort model. This is nothing to be sneezed at considering Ford plants worldwide will call for 200 000 engine units over a 30-month period — a forex bonanza of over R500m.

And that the news was announced by chairman and CE of the Ford Motor Co Alex Trotman adds weight to the statement that the company is committed to the long-term future of SA.

Trotman, who is on his first visit, says he is impressed with the way in which the political transformation has evolved in SA, and the significant effects that these positive developments are having on the economy of the country. "I believe that SA industry has the capability of making an important con-

Enersy Africa gets

all set for floatings

(183)

with But he added sound management was the key measure in assessing oil exploration companies

"If you're confident and think they can deliver, then invest," said Mr Pickard

And in spite of Engen's recent profit performance, which

reflected the firm's extensive restructuring, management had done a good job, Mr Pickard said

Shareholders obviously think so too Engen's annual general meeting was all over in about 15 minutes yesterday with not one question from the 50 or so

Assembled shareholders over Engen's poor performance in 1995

The chairman held out some hope for them next year, with Mr Smith saying he expected an improved profit performance in 1996 but declined to be more specific

ARG 9/12/95

float, that is about 20 percent of the new company, to foreign portfolio investors via global depositary receipts.

An Engen official told The Argus that the company has retained Merrill Lynch and Rothschilds, investment banks from the US and Britain respectively, to handle the issue. It is unclear which local brokers are working on the deal.

Analysts are not expecting the new company to generate earnings in the first couple of years, in line with most exploration firms.

But, Energy Africa will be generating cash flow through interests in producing fields, namely an eight percent stake in the Alba oilfield in North Sea, a 10 percent stake in the Bukha condensate field in the Oman and, a 2.5 percent stake in the Nkossa oilfield in the Congo which is due to come on stream next year.

Rob Angel, Engen's chief executive officer, said in the company's annual report that Energy Africa will be a "financially self-sufficient, independent company, generating the cash flow it needs to fund its exploration and production activities."

Jacques Pickard, chemical sector analyst at Smith Borkum Hare, said the new listing was an exciting one for South Africa since it was the first of its kind in South Africa.

That also made assessing the value of the company tricky since there was nothing else in South Africa to compare it

GEOFF ELLIOTT
Business Reporter

SOUTH Africa's first-listed stand-alone oil exploration and production company will probably be floated by the end of March, with a substantial chunk of the new company being sold to international investors, according to Engen chairman Bernard Smith.

He told shareholders at Engen's annual meeting yesterday plans were well advanced for the shares of Energy Africa, which holds Engen's international exploration and production interests, to be listed on the Johannesburg Stock Exchange.

"The listing will be accompanied by an international and domestic fund raising exercise to provide funds required for Energy Africa's new businesses," Mr Smith told shareholders.

He confirmed speculation that Engen is expecting to raise about \$80 million (R330 million) to \$100 million (360 million) from the sale of 35 percent to 40 percent of the new company's shares, making for an expected total capitalisation of the new company at about \$250 million (R900 million).

Engen will maintain control with the remaining stake of between 55 percent and 60 percent.

The company expects to sell about half of the Energy Africa

Engen to raise \$80m in foreign currency through Energy Africa

CT (P.M.) 18/12/95 (183)

By FRANÇOISE BOTHA

Cape Town — Engen expects to raise between \$80 million and \$100 million (between R293 million and R367 million) in foreign currencies when it lists Energy Africa, which holds its international exploration and production interests, in March next year.

Speaking at the company's annual general meeting on Friday, chairman Bernard Smith said that Engen planned to sell between 40 percent and 45 percent of Energy Africa to foreign investors.

He would not be drawn on the details of the foreign capital-raising exercise, but said that there was a possibility that the company might issue either American or Global

Depository Receipts. Engen would retain control of Energy Africa by holding between 55 percent and 60 percent of its shares.

Energy Africa is expected to be capitalised at about R900 million.

Smith said that he was confident that the listing would achieve a better realisation of the company's upstream assets and business development.

Engen chief executive Rob Angel said in the company's annual report that a strategic decision had been taken to focus all new exploration and production business in Africa because of the opportunities being created in the region as "major industry players rationalise their portfolios and governments move towards privatisation of

petroleum interests".

Following the listing, Energy Africa will be a financially self-sufficient, independent company generating the cash flow it needs to fund its exploration and production activities.

Engen currently owns 8 percent of the Alba field in the North Sea, 10 percent of the Bukha field in offshore Oman, 4 percent of the Nkossa project in the Congo, which is due to come on line mid-1996, and 20 percent in the E-BT project in the Bredasdorp basin off shore South Africa.

Following a year of poor performance, Engen was expected to become more profitable and earnings were expected to improve in 1996.

Soekor to lay off workers

(183) (212)

FROM REUTER

CT (BR) 12/12/95

Cape Town — South Africa's state-owned oil exploration company, Soekor, said it planned to lay off workers and to step up restructuring aimed at eventual privatisation.

Spokesman Francois Siebrits said the company was contracting its two drilling rigs to French-based Sedco Forex and planned to lay off about 100 of its 260 workers by the end of March.

"Sedco Forex has already taken over the running, management and marketing of the Omega rig off Angola and will take over the Actina rig in the South Seas off Malaysia in January," he said.

Soekor planned to concentrate on exploration and production activities. The drilling rigs were bought while South Africa was subject to economic sanctions.

The next step would be to decide details of a joint venture with Engen to open up South Africa's first offshore oilfield.

Discussions have already been held with Houston-based Oceanering International.

The project, which will cost \$75 million, will be financed through foreign loans arranged by the Central Energy Fund and no government guarantee will be required.

Siebrits could not provide a time frame for privatisation. But he said: "The long-term aim is to be independent of government."

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12/12/95

Chemical union and Shell resume pay talks

If negotiations fail and workers embark on a strike, petrol supplies to 850 dealers in four provinces could be hit

Star 12/12/95

By Justice MALALA
Labour Reporter

Oil giant Shell, already under international pressure for its operations in Nigeria, has resumed wage negotiations with the Chemical Workers' Industrial Union (CWIU) after numerous failed bids to break the deadlock.

The talks will be mediated by Charles Nupen and follow a series of wildcat strikes and go-slows in several depots that left petrol stations in Gauteng dry, and others operating only a few of their pumps.

The union is demanding a 13% pay hike, while Shell South Africa has offered 10%. The main area of dispute, however, was the introduction of a new shift pattern

in the company that the union had not been consulted on, CWIU spokesman Meshack Ravuku said yesterday.

He said the union's 300 members at Shell would be balloted to determine whether they should strike if mediation failed. The strike could affect the supply of petrol to more than 850 dealers in Gauteng, Mpumalanga, Eastern Cape and KwaZulu Natal.

The talks come as new efforts to establish a centralised bargaining forum in the chemical industry began to gain speed last week following the CWIU's threat earlier in the year that its 46 000 members would embark on a strike if such a body was not formed in time for next year's wage negotiations.

The national working group

formed by the employers in the industry and by the CWIU and four other unions said last week that talks to agree on the composition of the body would take place from next month.

The unions are proposing that a statutory bargaining council with one constitution be established and that the various chemical sectors be designated as chambers of the council.

Employers are, however, proposing that a non-statutory industry bargaining forum be established and that the various sectors have their own independent constitutions.

More than 650 workers at paint maker Dulux downed tools last week in support of wage demands. The workers are demanding a 20% pay increase.

CEF says coherent fuels strategy is needed urgently

(183)

BY ROY COKAYNE

(BR) ET 14/12/95
Pretoria — Central Energy Fund (CEF) chairman Roy Pithey says it is vital that South Africa sets a coherent fuels strategy, including the role government will play in the fuel industry.

"The government, for example, must set policy and guidelines on the form and extent of its involvement in the oil and petrochemicals industry.

"For many observers, such guidelines will form the benchmark for the government's approach to broader industrial policy," Pithey said in the CEF's latest annual report

Pithey added that at the same time a combination of business, consumers, labour and the government had to bravely and honestly negotiate on setting clear objectives for a future oil and petrochemicals industry

Criteria would have to be set against which its achievements could be measured, he said.

"We now have a unique opportunity to develop policies that ensure sustained economic efficiency," he said

Involvement

Pithey said all governments had opted for some involvement in their energy industry, ranging from full state ownership and nationalisation of assets at one extreme to management of the industry purely through regulatory mechanisms at the other.

The time had come, he said, for South Africa to decide where, between these extremes, it should position itself to ensure an effective debate on restructuring the industry "We must define what we expect from a liquid fuels and petrochemicals industry worthy of the objectives we have set ourselves in the new South Africa

"The industry, consumer representatives, labour and government must jointly decide on the trade-offs essential to develop a prioritised list of characteristics describing the

ideal liquid fuels and petrochemicals industry

"Only after making these complex and difficult, but fundamental, decisions should we begin to consider and debate the industry's future. Only then will we be able to decide what form of deregulation is appropriate," he said.

Pithey said the CEF's view was that the role of government in the fuel industry should be to ensure that fuel was available to the public at affordable prices.

The CEF's core purpose is to provide South Africa with a reliable supply of crude and locally produced hydrocarbons from indigenous raw materials.

It achieves this by procuring and storing crude oil; promoting oil and gas exploration, and the provision of a range of complementary support products and services for the South African fuels industry through its subsidiaries, which include Soekor, Mossgas, and a number of other smaller companies.

Details of Mossgas's financial performance for the year to end-March published in the report were leaked to Business Report in August.

They showed that Mossgas cost the taxpayer R413 million in direct support in the year to end-March in spite of it beating its operational targets.

Mossgas managing director John Theo revealed in the CEF report that Mossgas achieved an operating surplus — without the benefit of tariff protection or synthetic fuel levy — of R114 million

He said this was R38 million better than budget in spite of R57 million of unbudgeted expenditure "This clearly demonstrates that, even without state assistance, Mossgas would be highly cash positive" said Theo

Mossgas' operating costs fell to R616 million — R12 million lower than last year — but it pulled in R118 million from the synfuel levy to underpin itself, and a further R225 million from tariff protection

Nigeria row: ANC to boycott Shell

JOHANNESBURG. — The ANC, backed by sport and labour groups in an anti-Nigerian coalition, today announced a two-day boycott of Shell South Africa products next week.

"The South Africa Nigerian Democracy Support Group is calling on all South Africans to observe a two-day boycott of Shell products on Tuesday and Wednesday 19-20 December," the group, headed by the ANC, said in a statement

The group also said it would call for pickets at outlets of Shell SA, owned by Royal Dutch/Shell, on the two days of the boycott in an attempt to show the Nigerian government and the company that "there cannot be business as usual"

"We have decided on this course of action as a result of Shell's failure to demonstrate sufficient resolve in putting pressure on the Nigerian military government to cease its campaign of repression and to move towards democracy

"If Shell continues to defy worldwide calls to exert pressure on the (General Sani) Abacha regime, (we) will consider embarking on a protracted boycott," the group warned

Other than the ANC and its allies the SA Communist Party and Congress of South African Trade Unions, the umbrella group includes Business South Africa, South African Football Association, National Soccer League, National Olympic Committee of South Africa and Congress of South African Writers

The South African government has called for an oil boycott against Nigeria and has urged Shell to join the pro-democracy campaign.

President Nelson Mandela has also called on Shell to pull out of a liquefied natural gas (LNG) project with Nigeria but Shell's executives in Johannesburg said last month they would ignore all calls to cancel the scheme, and accused critics of the project of knee-jerk reactions. — Reuter



(183) AAC 15/12/95

SASOL

Phasing out its subsidy

Restructuring for the future

FM 15/12/95 (183)

The axe has finally descended on the highly controversial government subsidy to oil-from-coal producer Sasol. That it had to happen was inevitable. That it flew in the face of fair competition is not at issue.

The question was how quickly and how far would government move to release extra funds for a cash-strapped fiscus while pacifying an increasingly strident anti-subsidy lobby?

The subject of intense debate for the past two years, the Sasol subsidy — or tariff protection as CE Paul Kruger prefers to refer to it — effectively split the fuel industry into two sharply defined camps — the crude oil refiners and the synfuel producers.

Under the umbrella of the SA Petroleum Industry Association (Sapia), local oil refiners including Shell, BP, Caltex, Engen and Total have been baying for blood as government continued to intervene in the market by part-financing Sasol.

Once the darling of the nation, when SA had its back to the wall during UN-imposed sanctions, over the past few years Sasol has been painted, rightly or wrongly, as a corporate predator enriching itself at the expense of the motorist.

Founded in the Fifties, Sasol perfected the Tropsch Fischer method of converting low-grade coal to oil. It supplied the coveted commodity in large quantities to a thirsty SA throughout the Seventies and Eighties while the local oil industry was rocked by Opec price shocks and sanctions.

Sasol, through the ingenuity of

its chemical engineers, supplied oil in commercial quantities where otherwise SA could have been held to ransom by middlemen. As it was, many poseurs were catapulted from obscurity into the ranks of the internationally rich as they charged obscene amounts. All at the expense of the SA taxpayer, who was paying the price for Hendrik Verwoerd's race policies. Government's apparatchiks, pressed into service as oil buyers, failed to perform in the shadowy world that is the third-tier oil market. Their naiveté in attempting to procure clandestine oil was unbelievable.

So why the antagonistic attitude of late? Urged on by the oil industry and certain media, both the public and government began to believe they were being milked for what everybody regards as a grudge purchase — petrol. The implication that fuel could be sold at a lower price was inherent. Berating the synfuel producer for taking government money, the protagonists argued what appeared to be a water-tight case. The oil companies opened their books to the media, claiming they were making less profit than Sasol collectively. The chorus of indignation rose.

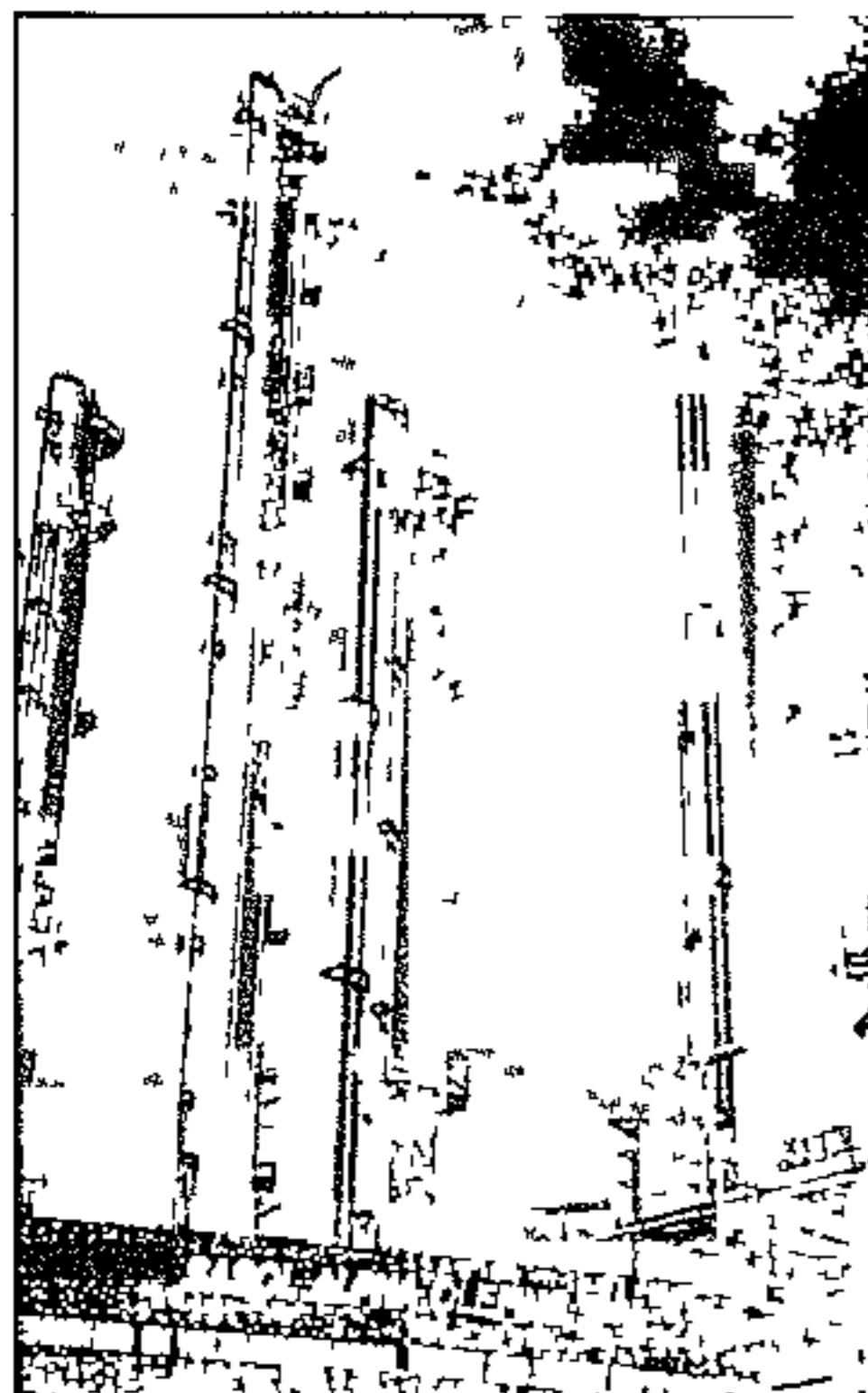
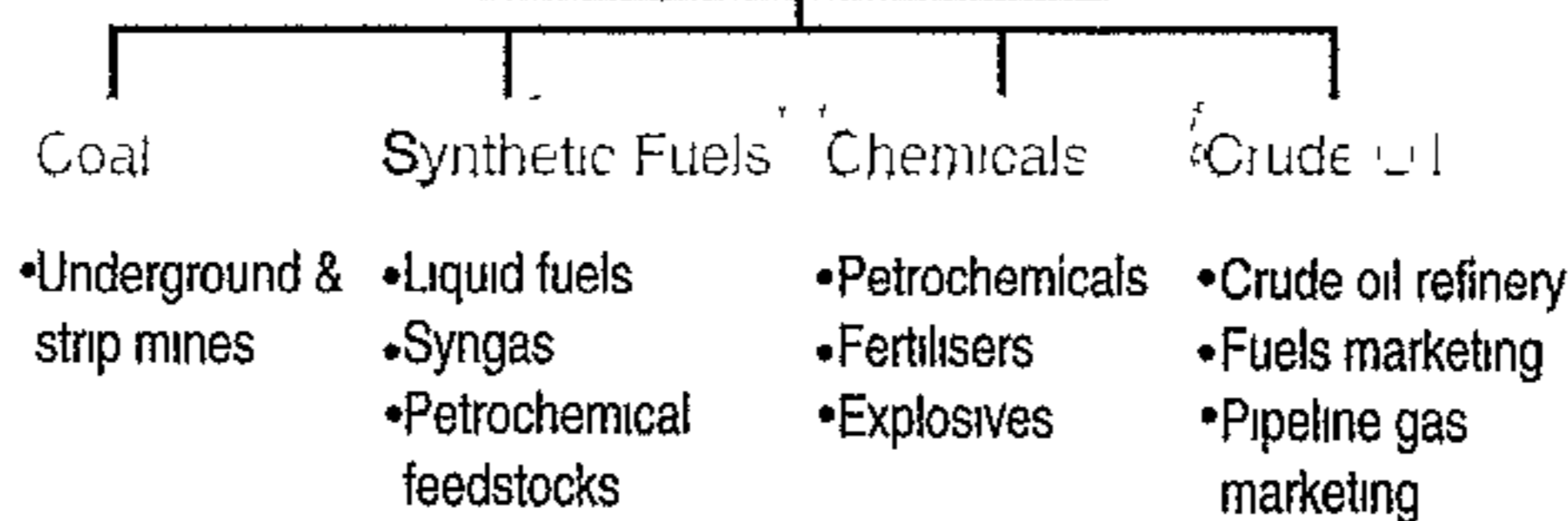
But before feeling sorry for the much-maligned chemical giant, judge the facts.

The mechanism of government support for Sasol relied on a levy on domestic fuel sales which compensated the company's synthetic fuel output for any gap between world oil prices and a reference price of US\$21,40 a barrel. Last year, Sasol reported an operating profit of R2,8bn before tax — which included State support worth R1bn before tax — equivalent to earnings per share of 323c.

Bear in mind that under a commercial agreement, the oil companies have to uplift all Sasol's synfuel production. They are also forced to take Mossgas production which, when combined with that of Sasol, adds 9c/l to the petrol price in the form of subsidies. Sapia's argument is that, as a listed company, Sasol is lining shareholders' pockets at a time when SA desperately needs any extra cash it can lay its hands on. Patriotic of an industry that has most of its principals overseas? The lobby says that by abolishing Sasol's tariff protection, 6c/l of the petrol price could be freed for a dedicated road fund or general revenue.

An emotive subject indeed and one Mineral & Energy Affairs Minister Pik Botha found himself landed with on taking office. He has had to face what he terms a "kraaines" in the industry. Whichever way he turned he was confronted with a gnarled knot of fishing line that just would not untangle itself. Finally, last week, Botha announced the phasing out of the subsidy.

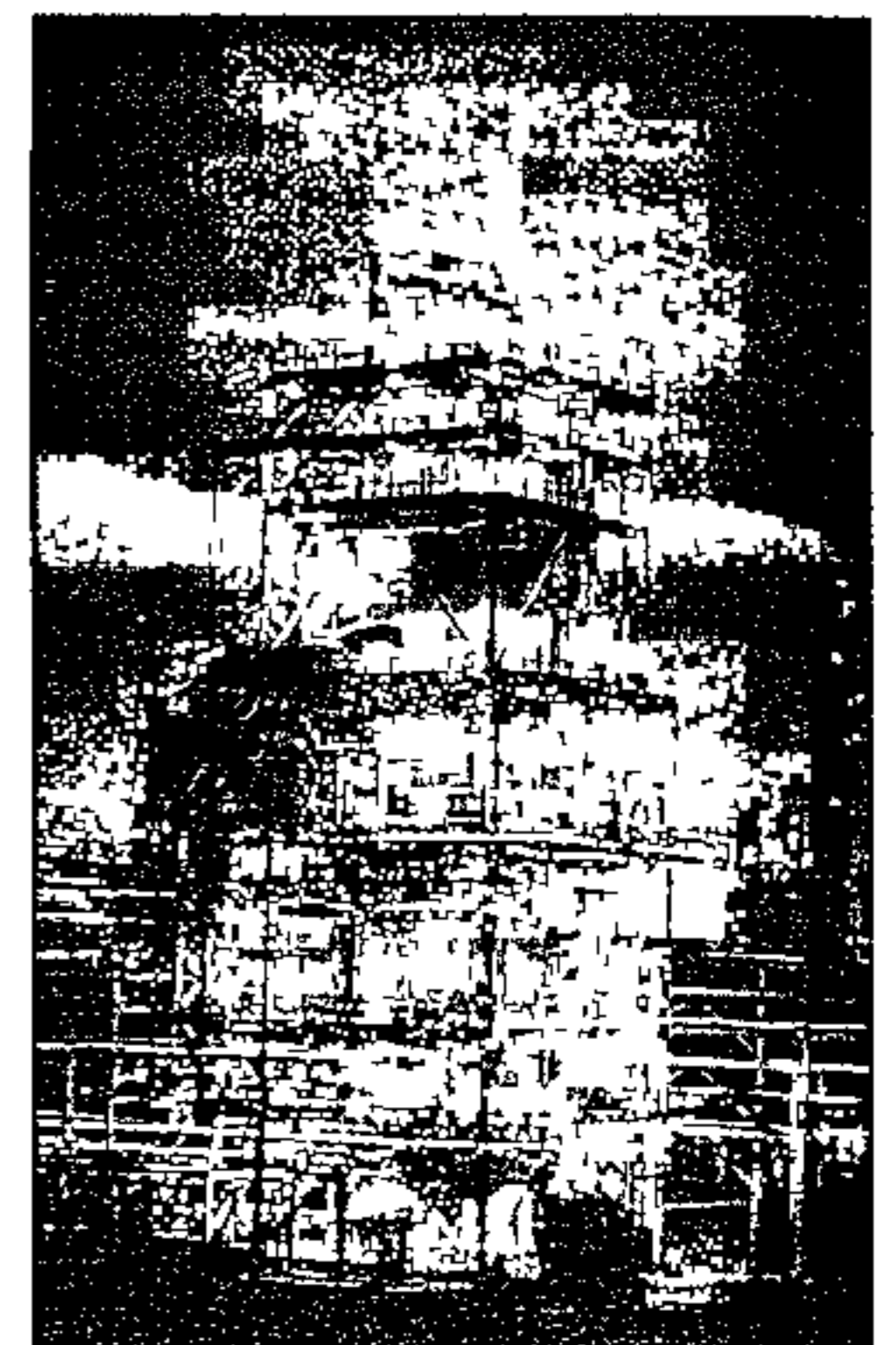
SASOL LIMITED



Alpha olefins



Kruger taking it on the chin



Sasol 2 and 3

Shell says boycott call is unfair

BD 18/12/95

(224) (183)

THE Shell oil company said on Saturday that a call by a Nigeria democracy support group for a two-day boycott of its products in SA was unfair and discriminatory.

"There are other oil companies operating in Nigeria and South Africa," Shell SA said.

The SA Nigerian Democratic Support Group, a coalition of church, sport and labour groups led by the ANC, on Friday called for a two-day boycott of Shell products on Tuesday and Wednesday December 19 and 20 because of the company's failure to put significant pressure on the Nigerian government to make changes.

"Shell said a business, no matter how large, could not take on the role of a government. "No matter how large or influential, business cannot assume the role of governments, the United Nations, military forces or the Nigerian people to change the political dispensation in Nigeria."

The pressure group said it would call for pickets at outlets of Shell SA, owned by Royal Dutch/Shell, on the two days of the boycott in an attempt to show the Nigerian government and the company that "there cannot be business as usual".

"We have decided on this course of action as a result of Shell's failure to demonstrate sufficient resolve in putting pressure on the Nigerian military government to cease its campaign of repression and to move towards democracy.

"If Shell continues to defy worldwide calls to exert pressure on the (General Sani) Abacha regime, (we) will consider embarking on a protracted boycott," the group warned.

Other than the ANC and allies, the SA Communist Party and Congress of SA Trade Unions, the umbrella group includes Business SA, the SA Football Association, National Soccer League, National Olympic Committee of SA and Congress of SA Writers.

The activist coalition, also including church groups and lawyers' organisations, was formed soon after Nigeria's military rulers handed nine minority rights campaigners, including writer Ken Saro-Wiwa.

President Nelson Mandela has also called on Shell to pull out of a liquefied natural gas project with Nigeria, but Shell's executives in Johannesburg said last month they would ignore calls to cancel the scheme, and accused critics of knee-jerk reactions — Reuter

Afrox, CSE deal tops R6m

BD 18/12/95

(~~218~~) (V83)

Susan Russell

AFROX has secured another export order from the CSE Corporation to supply components for body-worn emergency oxygen sets which will be assembled and sold to US mines

The latest order brings the value of the two-year deal between CSE and Aprox to more than R6m, a company spokesman said yesterday.

Aprox export manager Roland Stone said his company's components were being incorporated into CSE's SR100 — a 60-minute emergency oxygen set used by more than 40 000 US miners.

Emergency oxygen sets, known to SA miners by the generic term resQpac, contain chemicals which generate breathable oxygen when activated by the wearer in the event of a fire, exposure to noxious gases or other underground emergencies

Both CSE orders from Aprox were for 10 000 resQpac kits each Aprox manufactures the AproxPac, an emergency oxygen set developed for SA conditions

BD18/12/95

Chemical inferno claims three lives

Amanda Vermeulen

(58) (183)

SOMERSET WEST — A chemical fire near Somerset West claimed the lives of three people, forced thousands to flee their homes and caused traffic on the N2 to be diverted yesterday.

SA Police Service liaison officer Captain Wicus Holtzhausen said the fire began in a stretch of open land owned by chemical group AECI and spread to a nearby sulphur pit, the size of two rugby fields, between the highway and the sea.

Deaths and injuries were the result of gas inhalation. Many people were taken to hospital.

About 2 500 people living in the adjacent township, Maccassar, were evacuated. They were first taken to a shopping centre and later moved to schools in the area. Two helicopters were being used to fight the blaze.

Holtzhausen said no property was damaged. The cause of the fire would be investigated.

Adcock Ingram to harness

market growth

(183) CT (BR) 18/12/95

By CHARLOTTE MATHEWS

Johannesburg — The health care market will expand as a result of the government's increasing focus on the issue, and medical facilities becoming accessible to a wider population, Adcock Ingram's chairman, Robbie Williams, said in the group's latest annual report

Growth will initially be in the public sector but will spill over into the private sector as the economy improves and more people can afford private sector facilities. This should help to maintain a viable private sector health care market.

Adcock Ingram's spread of activities in the health care market, including branded and generic pharmaceuticals, self-medication, critical care, household hygiene and personal care products, should help the group to continue to

improve earnings in the future

In the year to September, the group improved earnings by 17 percent on a 16 percent rise in turnover

Since October the group has undergone restructuring into five separate business units, said Don Bodley, the chief executive

Divisionalisation will streamline administration and reduce costs as well as facilitate technology and product transfers between divisions

Active

All five divisions have active new product development programmes, using their own facilities and through collaborations with local and international research organisations.

In-house, 15 branded pharmaceuticals and 27 generic products are being developed. There are also negotiations to acquire 16 generic registration packages.

Bodley said the group planned to increase its exports to markets in sub-Saharan Africa, where it aimed to achieve regional dominance in its main business areas

It also intended to expand exports into selected international markets

Other major strategic objectives were to improve the balance of divisional contributions to earnings, especially increasing the contribution from the consumer health care division; to seek opportunities for acquisitions and strategic alliances; and to align the group to Reconstruction and Development initiatives.

WIFE'S AGONY AS FUMES KILL HUSBAND

3 die in gas cloud horror

THOUSANDS OF RESIDENTS evacuated Macassar to escape the sulphur gas cloud from a blaze at AECI's storage dump in Somerset West on Saturday. Two brothers died separately in the chaos. **MELANIE GOSLING** reports.

THE anguished wife of one of the men who died in the AECI gas cloud on Saturday night was rushing her husband to hospital when she stalled the car in panic and then watched in horror as he died

Brothers Mr Andrew Williams, 54, and Mr Ronnie Williams, 47 — both of Strand and both asthma sufferers — died when the sulphur gas cloud from the chemical blaze at AECI's sulphur storage dump near Somerset West enveloped Macassar, forcing the entire town of 2 500 to evacuate

A third person is also believed to have died from gas poisoning.

The brothers were on their way to separate weddings in Macassar when they were overcome by the fumes

Mrs Sandra Williams said yesterday she had been driving her husband, Andrew, to a wedding reception in the Somchem hall.

"It was about 9pm. We could see the smoke and smell it," she said. "We had just passed the security guard when Andrew said his chest was closing. He told me to drive to the doctor. I did, but there was no one there

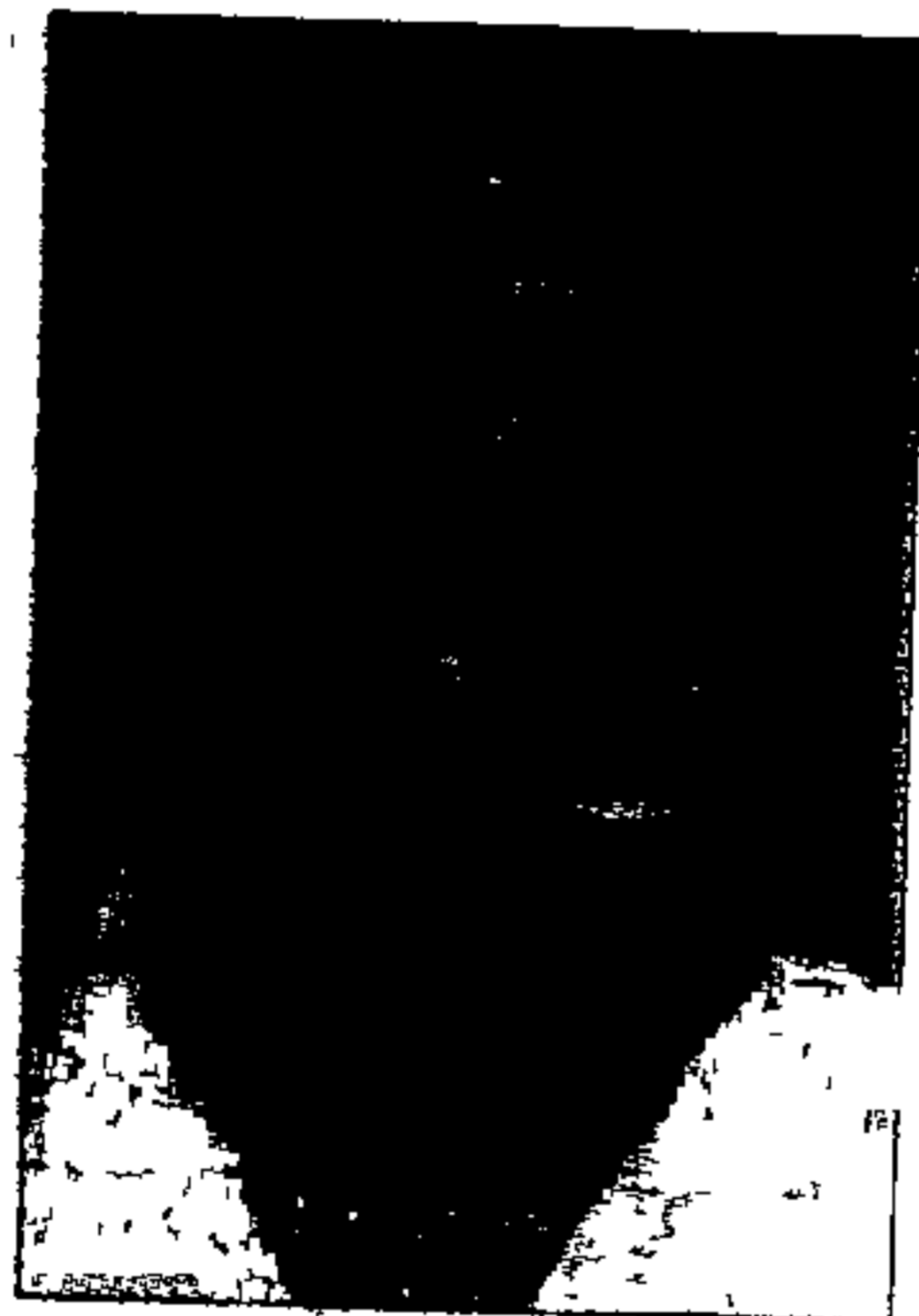
"I was rushing to get to the hospital because he was panicking and anxious and couldn't breathe. On Firgrove bridge I stalled and flooded the car and couldn't start it.

"I didn't know what to do. I got out and luckily a motorist who stopped was someone I knew. I told him to get an ambulance.

"When I went back to the car,

Andrew's head had fallen forward on to the dashboard. I felt his neck and his wrist, but there was no pulse. He was already dead"

Mrs Williams waited at the roadside alone in the dark until her niece and her husband came to fetch her. "They took my husband



OVERCOME IN TAXI:
Mr Ronnie Williams

out of the car and tried to resuscitate him, but it was too late"

Mrs Deidre Bouwers said her father, taxi-owner Mr Ronnie Williams, was driving wedding guests to a reception in Mervyn Park, Macassar, when the sulphur gas enveloped the vehicle. "His chest started to close. He stopped the taxi and passed out. The other people helped him onto the grass, but the gas was very strong so they took him into a house. They phoned an ambulance and my

father came around for a bit and then passed out again. The ambulance took half-an-hour to come and when it arrived he was dead"

Mr Arthur Williams, brother of Andrew and Ronnie, said he was at a wedding in Strand when he was told Ronnie had had a serious asthma attack. He and his wife, Mary, a nursing sister at Hottentots Holland Hospital, drove to the hospital and were told Ronnie had died.

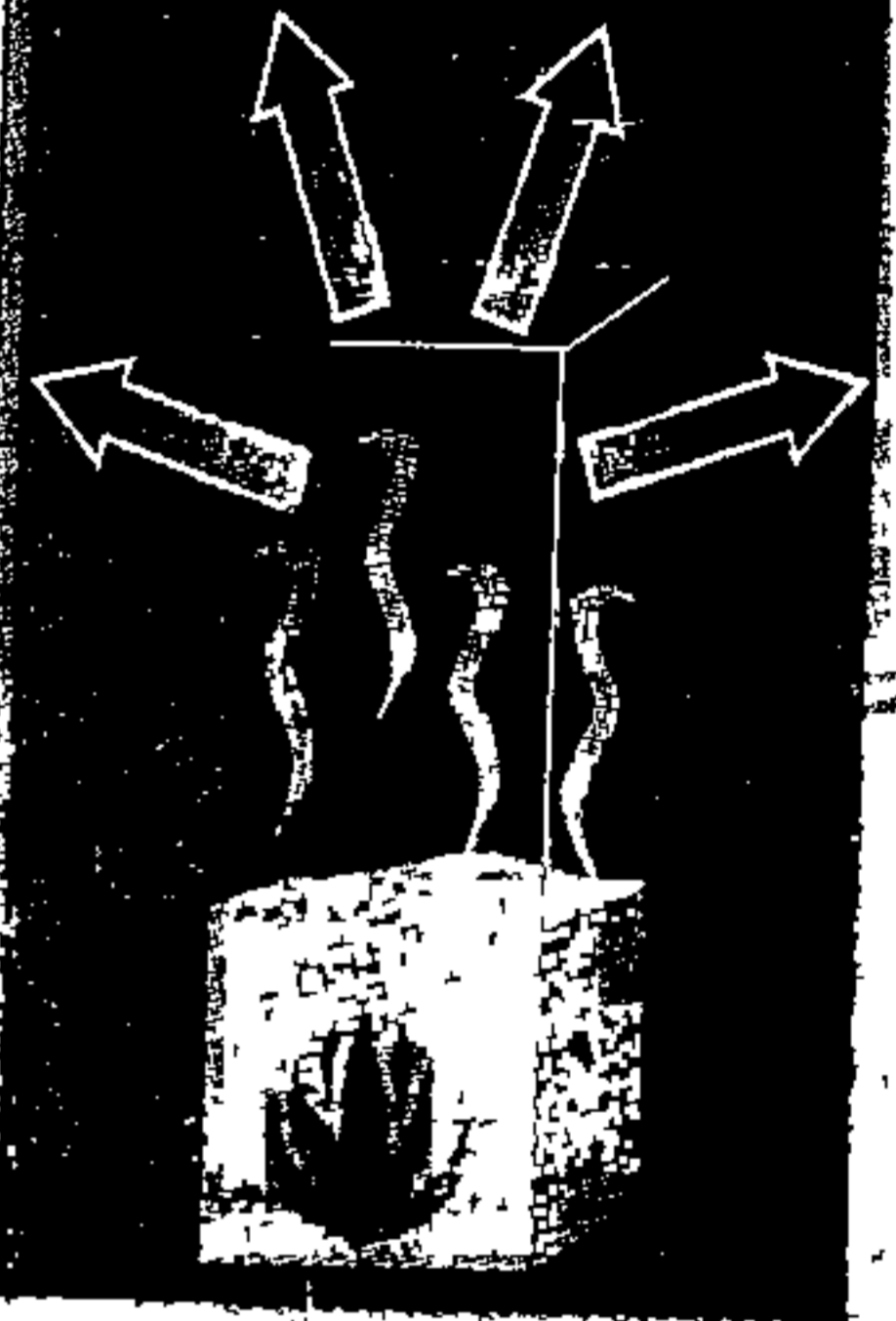
"We were waiting for his body to arrive and there were lots of other people arriving with handkerchiefs and lappies over their faces. We heard that my other brother, Andrew, had also died. We could not believe it. Two brothers dying in the same hour"

TOXIC

Table View

CAPE TOWN

Reaction:



S FUMES KILL HUSBAND

in gas

Horror

CT 18/12/93 (183) (234) (56)
 icuated Macassar to
 n a blaze at AECI's stor-
 aturday. Two brothers
LANIE GOSLING reports.

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TOXIC HORROR

Table View

CAPE TOWN

Bellville

N2

N1

Stellenbosch

Sulls River

Cape Town International Airport

Eerste River

Mitchells Plain

Kloofbaai

R310

Macassar

STRAND

Somerset West

FALSE BAY

Epicentre



Flame (toxicity)

Allhappens
 available
 the weather
 and rain

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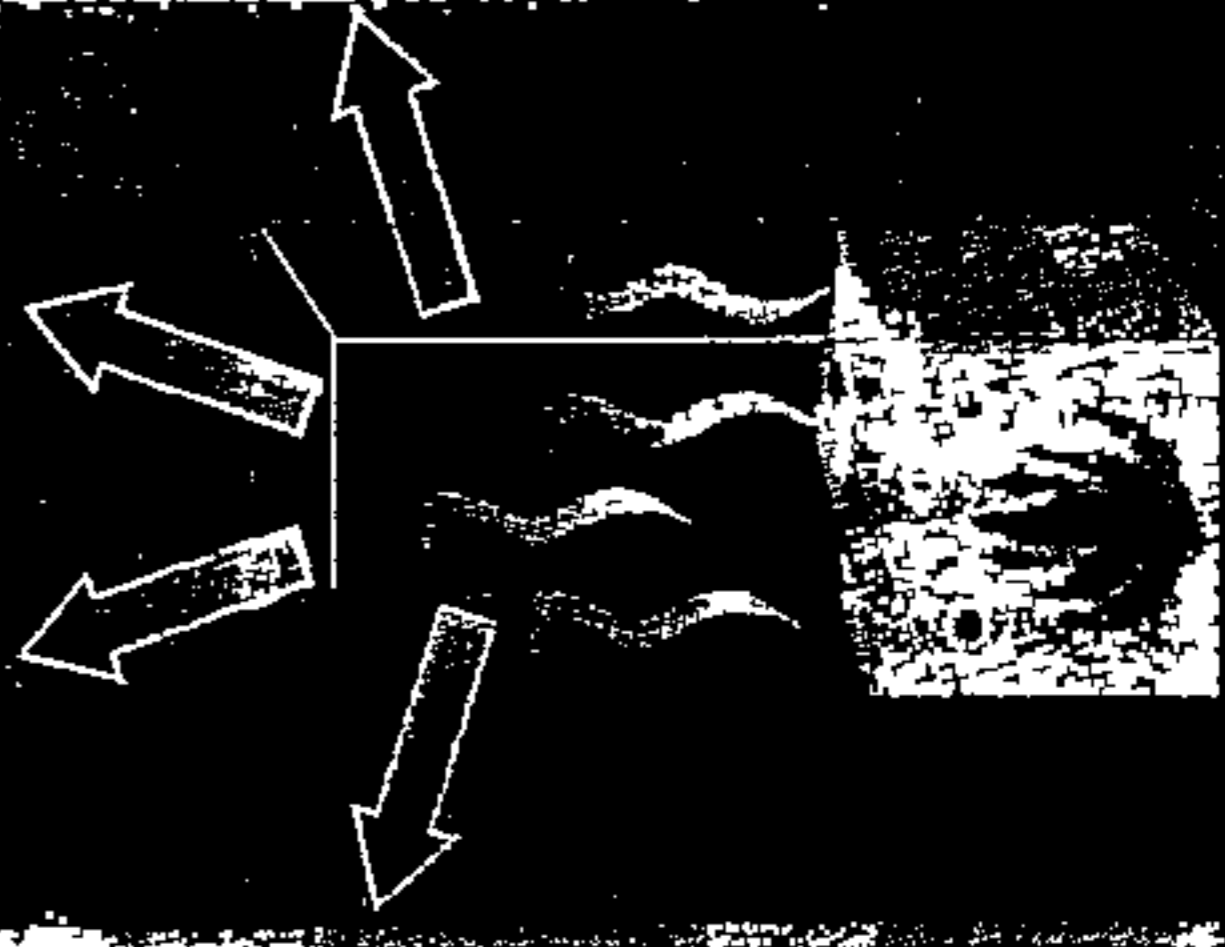
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Reaction:



'MORE SPENT ON BRIBES THAN ON COMMUNITY'

Shell 'funded military ops'

ET 18/12/95

(183) ~~183~~

LONDON: The press here yesterday published allegedly leaked confidential documents linking the oil giant Shell to the "wasting of vocal individuals" in Nigeria.

SHELL has been accused of funding ruthless military operations in Nigeria to help it establish stable conditions for its oil interests there.

Shell allegedly paid the security apparatus to protect its installations and asked for armed "assistance" against local demonstrators. It also allegedly had on its payroll a senior army officer, Lieutenant-Colonel Paul Okuntimo, who has been accused of ordering the torture, rape and murder of Ogoni dissidents.

Questioned by the Sunday Times here last week, Lt-Col Okuntimo initially admitted being paid by Shell while in charge of crushing Ogoni protests

"Shell contributed to the logistics through financial support. To do this, we needed resources and Shell provided these." But later he denied the comments.

Shell has admitted asking for help from armed police but denied paying the military.

Shell did, however, tell the newspaper it planned to purge executives in Nigeria following the discovery of a "black hole of corruption" involving the payment of millions of dollars in bribes and kickbacks to tribal chiefs, community leaders and the military in the troubled Ogoni region.

A European Shell executive who wanted to remain anonymous said: "I would go so far as to

say we spent more on bribes and corruption than on community development projects."

While Shell International cited £12.5 million (about R70.4m) a year spent on community projects, much of it ended up in the pockets of Shell officials, community leaders and military officers.

Confidential documents leaked to the British media revealed recommendations were made in a state security memorandum for "wasting vocal individuals".

Ruthless

The memorandum headed "Law and Order in Ogoni etc" and dated May 12, 1994 was addressed to the military administrator of Rivers State from the chairman of internal security, Major Paul Okuntimo. It noted "Shell operations still impossible unless ruth-

less military operations are undertaken for smooth economic activities to commence."

Included in the recommendations were "wasting operations" during gatherings of the Movement for the Survival of the Ogoni People, to which executed author Ken Saro-Wiwa belonged.

Shell said at the weekend that it was compelled by law to inform the authorities when there was a threat to oil installations and that it only called in the police when its facilities or staff were at risk. It agreed that there had been "instances where the response by the authorities has gone too far with tragic consequences."

The company added: "We categorically refute that any form of input was ever provided to the military, neither would we do so if approached on such a matter." — Own Correspondent

(183)
 AUG 18/12/95
**Choking
 crowd halts
 wedding fest**



Picture: LEON MULLER, The Argus
FIRST AID: An ambulanceman helps a woman.

**Heroes with burning eyes
 just kept right on helping**

Staff Reporter
 AMBULANCE staff emerged as heroes in the fire drama in Somerset West, driving through dense vapour and smoke which descended on Macassar where hundreds of residents were overcome by sulphur fumes.

Medics Shireen Hudson and Willie Niewoudt of the Somerset West Ambulance Services were manning one of the first ambulances which reached Macassar.

For Miss Hudson and Mr Niewoudt it was, at first, just another night on duty. But soon the chaos and the gas-enveloped nightmare drove the pair to breaking point.

They were heading for a house where a resident was having severe breathing problems when the fumes they were driving through thickened and conditions became unbearable.

They had almost reached the house when it became a matter of "Turn around or become pa-

Staff Reporter
 FOR newlyweds Randal and Vanessa Petersen, the sounds of wedding bells and party music were abruptly replaced by howling sirens and coughing gas victims evacuated from a choking hell.

The wedding celebrations were in full swing at the Somerset West Community Hall late on Saturday night.

Then suddenly, as if out of nowhere, the evacuees poured in out of the dark.

Emergency vehicles and traffic patrol cars with flashing lights escorted a convoy of police lorries packed with people — evacuated from Macassar — to the hall.

Men and women, old and young, gasped and sneezed as they burst through the door of the hall while Mr and Mrs Petersen and their surprised guests huddled to one side.

The hall which the Petersens hired for their wedding reception was one of the first shelters used to accommodate victims of the Somerset West gas drama, in which tons of choking sulphur dioxide fumes descended on nearby Macassar after a fire ignited a chemical dump.

"Eventually we squeezed into a corner of the hall and sat on a blanket. Vanessa was still in her wedding dress. We had been looking forward to danc-

ing the night away, but now it looked like we were in the wrong hall," said Mr Petersen. The new Mrs Petersen said her wedding day would surely be a "day to remember".

"I'm not worried about our thousands of uninvited guests. We too could not return to our new home in Macassar."

"What concerned me was just how long we would be stuck in the hall before we could go on honeymoon," said Mrs Petersen.

Meanwhile more and more people had streamed into the hall, which was filling fast.

Wedding guests — and even the groom — had to queue with a long row of people at the toilets.

Everywhere people were sitting in small groups on the floor where, not long before, wedding guests had been dancing happily, unaware of the drama in Macassar.

One of the Petersens' guests had not lost his sense of humour. He said he knew the reception would be a "gas" but he did not expect this to be literally true.

Mr Petersen said he did not mind the invasion.

"In times of trouble, my wife and I are happy to help — even on our wedding day," he said while hundreds of evacuees, many in pyjamas and wrapped in blankets, mingled with his guests.



UNEXPECTED GUESTS: Newlyweds Randal and Vanessa Petersen, their bride, and hundreds of evacuees from the wedding celebrations on Saturday night.



Terrified community scrambles to escape

Staff Reporter

DAVID September, like hundreds of others, ran into his home and sealed it off by closing all windows and doors to escape the big "burning fog".

But soon he joined neighbours who grabbed a blanket or two and with just the clothes they wore, took to the street, running around aimlessly, hoping for a breeze, hoping for a lift out of the area — and eventually hoping for an ambulance to take them out of hell.

"The gas was just starting and there was still fresh air inside our home," said Mr September.

"We thought nothing of it. We had closed all the windows, watched television and prepared food.

"The smell would blow over, I thought.

"But every time I looked out of the door there was more fog, more smoke and the gas started to seep into the house.

"Eventually, my eyes felt like hot coals and my throat was a light.

"It's a scary feeling when you run outside for help and it's worse.

"I found the whole world outside there in Da Vinci Street, also looking for fresh air. You think you are going to die," said Mr September.

The rumour of a deadly gas which could kill within minutes, spread through the neighbourhood.

Soon visions of heaps of people lying unconscious in their homes or in the streets became a real fear.

"We did not know enough about the disaster — we feared the worse," said Mr September.

"All hell broke loose," he said.

It was darker than usual outside. There were no stars, the streetlights dim in the fog.

A minibus which had been parked for the night revved up in the driveway and pulled into the street.

People scrambled from everywhere and piled in. Inside was a crowd of worried faces and red eyes.

Left behind were many more groups of anxious people who had no transport, standing on street corners with blankets wrapped around them.

Scores of police cars and emergency vehicles with sirens and flashing lights sped up and down streets, warning people to get out of the area.

Garden gates were left open. Dogs ran around in panic after their owners had left in a hurry.

Another minibus stopped. Again people piled in, crying and shouting. The sliding door was still open but the taxi pulled off. A baby's bottle filled with milk fell out of the minibus and was crunched under one of the rear wheels.

"We did not know whether we would see our homes again, whether we would see another day again," said Mr September, who was one of the last to be picked up by an emergency vehicle.

S: Newlyweds Randal and Vanessa Petersen took it in their stride as hundreds of evacuees from the sulphur fire "gatecrashed" their honeymoon on Saturday night.

Picture JOHAN SCHRÖNEN, The Argus.

Nissen helped restore calm in the chaos

ANDREA WEISS, Staff Reporter

CHRIS Nissen, leader of the African National Congress in the Western Cape, worked through Saturday night at Macassar, helping to restore calm as thousands of panic-stricken residents evacuated their homes.

Western Cape health minister Ebrahim Rasool was also at the scene during the night.

Mr Nissen said Macassar residents had arrived at his home late on Saturday to tell him about the disaster.

From home, he went directly to Tygerberg Hospital where about 10 people were being treated after inhaling sulphur dioxide fumes.

He then went on to Macassar where he put together a community co-ordinating committee which helped the police to move people to different evacuation centres.

Mr Nissen was full of praise for all the emergency services. "They handled it very well."

Pictures: LEON MULLER

183
ARG 18/12/95
**Stepped-up bid
to sell sulphur
stockpile likely**

**JOHN YELD, Environment Reporter
and Reuter**

EFFORTS to sell the remaining sulphur stockpiled at AECI's Somerset West plant will probably be accelerated

This follows the devastating fire at the weekend which resulted in the death of two brothers, the hospitalisation of more than 150 people and the evacuation of about 2 500 Maccassar residents

The stockpile of about 15 000 tons of sulphur at AECI's plant in Somerset-West is technically owned by the Department of Trade and Industry, but the chemical manufacturer has accepted full responsibility for the day-to-day management of the storage site

About half the sulphur, part of the apartheid government's strategic stockpiles of minerals and oil during the sanctions era, has already been disposed of

The presence of the remainder was the subject of continuing discussions with the government, AECI managing-director Boet Coetzee said today

The sulphur — one of three stockpiles around the country — was mentioned during hearings by the parliamentary joint standing committee on public accounts last month, when it was disclosed that some of it was contaminated

But committee chairman Ken Andrew said today that he could not recall anything during discussions about the sulphur that had given cause for concern on environmental grounds

"Quite frankly, our discussions are essentially about money matters and assets that might be lying around," said Mr Andrew.

"Nothing sticks in my mind other than that they're running those procurements down, that some of the sulphur was contaminated, and that they were trying to find a buyer"

Mr Coetzee said that although the sulphur was owned by the state, his company accepted responsibility for the day-to-day management of the stockpile

"This (state ownership) doesn't absolve us from the custodian role"

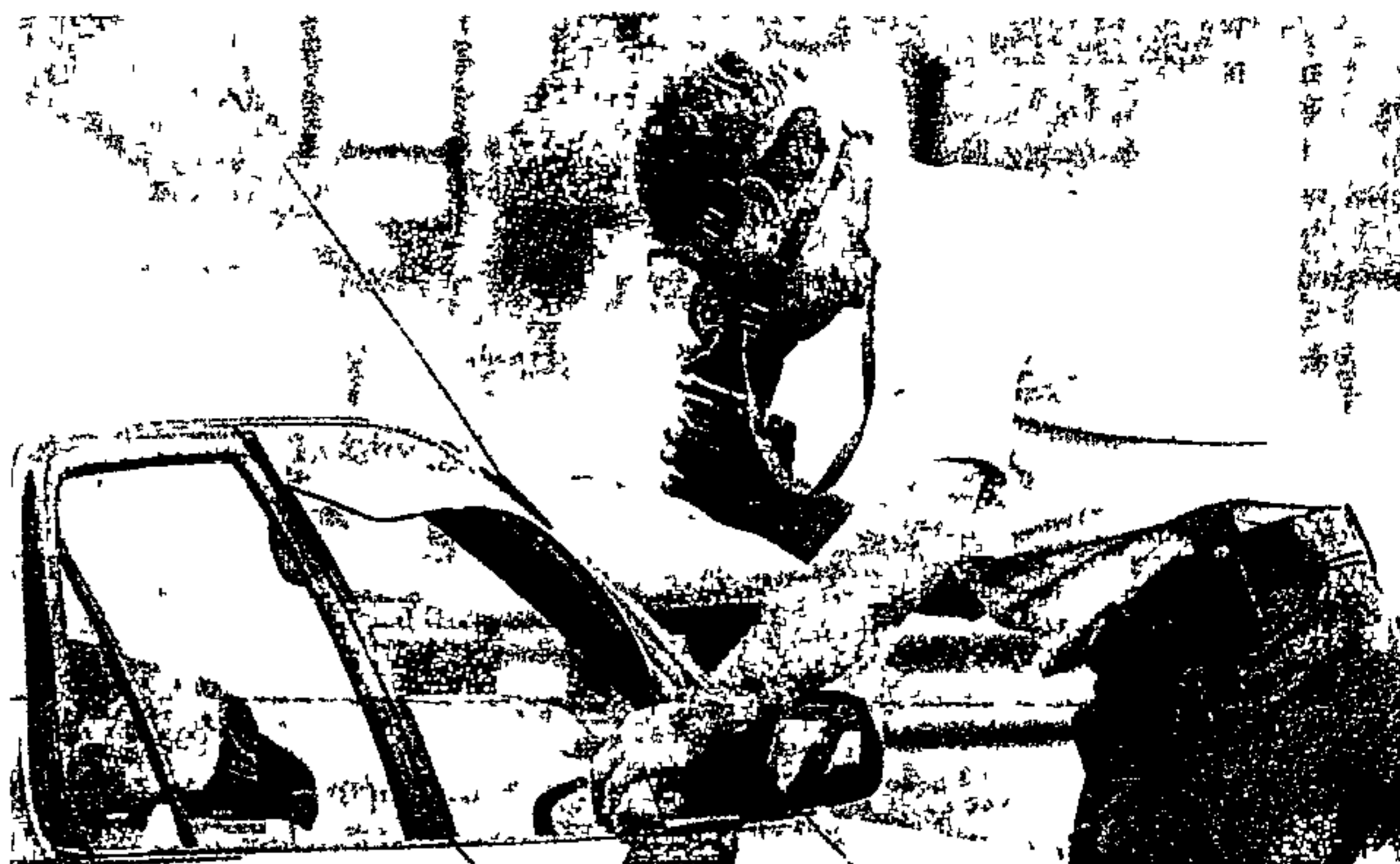
AECI had been involved in regular discussions with the government about the sulphur for "quite a while"

"This is a continuing process with them," Mr Coetzee said.

The amount of sulphur in the stockpile had been reduced by about half

"We've been working hard at reducing it. It's not as though anyone has been delinquent.

"And I guess you can expect this process (of removing the sulphur) to accelerate now"



GAS JOB: A policeman wearing a gas mask directs traffic away from the N2 which was closed to prevent motorists driving into the gas.

Helpline No sectors in



Fallout from sulphur blaze ruins crops

AR 18/12/95 (183)

JOSEPH ARANES
Staff Reporter

FARMERS in the Somerset West-/Stellenbosch area are faced with huge financial losses after the cloud of sulphur from the disastrous chemical fire burnt their crops.

As today's rain followed the fire, farmers were inspecting the damage the sulphur fumes and acid rain had caused to their crops. Chemical giant AECI now faces massive damage claims from furious farmers.

The blaze at AECI's storage dump in Somerset West dispersed thick clouds of acrid sulphur over the farming area destroying vegetable and fruit crops.

When mixed with the rain that followed the fire, the sulphur changed to form sulphurous acid that burnt the leaves and fruit of most trees and ruined vegetable crops in the area.

A number of farmers were horrified today when they saw the extent of the damage after inspecting their farms.

Rust-en-Vrede owner Brian Pickering said he could not believe what he saw — all his lettuce, spring onions and cocktail tomatoes were burnt.

"Everything was just wiped out in a single go. It looks as if somebody threw

No warning about risks — company slammed

ENVIRONMENTALISTS have hit out at an "arrogant" AECI for failing to inform neighbouring communities like Macassar about possible risks from the 15 000-ton sulphur stockpile, and for not having a proper contingency plan to deal with emergencies.

They also expressed concern at the effect of the sulphurous acid, formed by the interaction between the burning sulphur and the huge amount of water dropped on it, on water courses and the aquifer (underground water supply) in the area.

The environmental performance of chemical and other facilities like AECI's plant which were adjacent to residential areas should be audited externally, they said.

Chemical engineers have confirmed that sulphur dioxide — formed by the burning sulphur — can be highly damaging to health in large concentrations.

Jim Petrie of the University of Cape Town's chemical engineering department said he was not familiar with the details of AECI's sulphur stock but that it would have oxidised during the fire to form sulphur dioxide.

"And sulphur dioxide is an incredible irritant. It is definitely not carcinogenic

GREEN SCENE

John Yeld



(cancer-forming) but if inhaled in large quantities it can cause your lungs a hell of a problem," Dr Petrie said.

"The risks to human health are really dictated by concentrations at ground level — and that's not a trivial question to answer."

Marlene Laros, the Wildlife Society's Western Cape branch conservation ecologist, and Liz McDaid of the environmental organisation Earthlife Africa spent much of yesterday at the scene.

Ms Laros said it had been "worrying" that people had reported smelling burning sulphur from about 6pm on Saturday and the two deaths had occurred about 9am, but that Macassar residents had only been evacuated in mass from about 1am.

"So clearly the contingency plans weren't in place."

Other major concerns were how leachate — water seeping through the sulphur into the ground — had been controlled in the past and how the sulphurous acid would be monitored and controlled in future.

"We weren't able to get close enough to see whether there are proper facilities there for drainage or whether there's been any borehole monitoring of underground water quality."

"I believe they are going to sink boreholes because AECI is looking at decommissioning production there, so all that needs to be discussed," Ms Laros said.

Ms McDaid said the fire had been "a major crisis."

"AECI didn't appear to have enough people on hand to deal with the risk, and the Macassar residents didn't have a clue about what the risk was."

The chemical manufacturer had been "arrogant" in stockpiling sulphur in such quantities without any kind of contingency plans and in allowing the Macassar community to carry the risk.

"They've been using water to put it out which may be the correct action as far as

the fire is concerned, but now there are fairly large amounts of sulphurous acid that will either run into water courses or sink into the aquifer.

"So one has to ask who will take responsibility for that?" Ms McDaid said.

"And if they are decommissioning the plant, what are they going to do with that huge stockpile of sulphur and how will they prevent it catching fire again?"

There had been a "botch-up" in communications, Ms McDaid continued.

"It was fairly obvious there was no contingency plan — people were left without food, for example."

Ms Laros said she had been told that at least 167 people had been admitted to Hottentots Holland Hospital, and they had visited the school and civic centre, which were used as emergency centres.

"People there were very angry at the lack of a clear message for them."

"All they wanted to do was to get back because they were very concerned about possible looting, but there was no message to them about whether it was safe to return."

"People were also frustrated, and there seemed to be a lack of communication between the fire departments and people managing the emergency centres."

ARC 18/12/95

(183)

Bereaved families mourn

NORMAN JOSEPH
Staff Reporter

SCORES of bereaved family members and friends gathered at the homes of two Strand brothers who died when they inhaled sulphur gas after the fierce chemical fire in Somerset West

Both brothers were asthmatics and had severe asthma attacks after inhaling the gas

A fire, which started on Saturday night next to the AECI plant near Somerset West, ignited sulphur waste dumps on the premises, causing sulphur dioxide to pollute the air

Ronald Williams, 47, and his brother Andrew, 54, died within 10 minutes of each other after they apparently inhaled the toxic sulphur dioxide fumes. Both were known asthmatics and cardiac patients

Andrew Williams, on his way to a wedding reception at the Somchem plant recreation hall in Macassar, slumped over the wheel of his car and died near the hall

Ten minutes later Ronnie Williams, 47, arrived and collapsed behind the wheel of his minibus

Andrew's wife Sandra said tearfully that their deaths were the fifth in the past seven months in the Williams family

Ronnie's wife Audrey said family members were very disappointed with the long delay before an ambulance arrived

Other family members were too distraught to speak. They hugged each other and cried

Andrew's son, Craig Williams, who is an ambulance reservist driver, said he transported many people who experienced burning sensations in their eyes and throats to the Hottentots Holland Hospital in Somerset West

Strand health inspector Bennett September, who saw the initial veld fire from his home in Somerset West, said a thorough investigation should be carried out by the government into the fire

Andrew Williams is survived by his wife Sandra and three children, Craig, Shaun and Sonja, while Ronnie Williams is survived by his wife Audrey and three children, Bronwyn, Deidre and Ilse

Jeff Laskey, a spokesman for the Cape Metropolitan Council's emergency services said the area had been declared safe

Fire crews stood by as a safety precaution

● Yesterday major routes past the affected area, including the N2 highway to Somerset West, were closed for several hours as gas created a choking haze

Gas cloud envelops

Residents evacuated but 2 brothers

APG 18/12/1

TWO brothers died, at least 150 people were hospitalised and about 2 500 Maccassar residents were evacuated from their homes when a huge cloud of vapour from a blazing sulphur stockpile in Somerset West, enveloped Macassar

The drama started on Saturday afternoon when a veld fire on the grounds of AECI spread to a huge 15 000 ton stockpile of the chemical

At dusk on Saturday, a 70 km/h wind fanned the sulphur fire causing a huge cloud of choking smoke

The wind drove the gas and thick smoke over Macassar which is about 2km downwind where residents took the brunt of the gas

People as far afield as Khayelitsha, Mitchell's Plain, Heideveld and even Goodwood could smell the sulphur

Emergency services sprung into action when first reports of the fire and casualties reached police and the ambulance station

Scores of emergency vehicles, including fire engines, traffic patrol cars, ambulances, police and civil defence response units from Cape Town, Milnerton, Stellenbosch and the Strand, sped with howling sirens to the scene

At the height of the drama, traffic police closed a section of the N2 from Somerset West to the R300 to prevent motorists from being affected by the gas. Taxi and bus operators in Macassar volunteered their services and transported distressed residents to a holding disaster centre

Meanwhile, thousands of residents were evacuated to Somerset Mall shopping centre where rescue workers and volunteers set up a holding area

There victims were medically evaluated, stabilised, treated for shock and then transported to hospital, community centres and school halls nearby

Scores of people who had serious breathing difficulties, others with burning eyes and severely shocked were taken to Hottentots Holland Hospital in Somerset West

Extra staff were summoned to help with the sudden flood of patients as ambulances, taxis, bakkies and cars



Andrew Williams.



Ronnie Williams



AFTERMATH: Firemen douse s

offloading patients

Firefighters using water did their best to douse the flames but front-end loaders smothering the fire with soil were more successful.

At first light yesterday, two airforce helicopters took off to help fight the fire from the air with water buckets

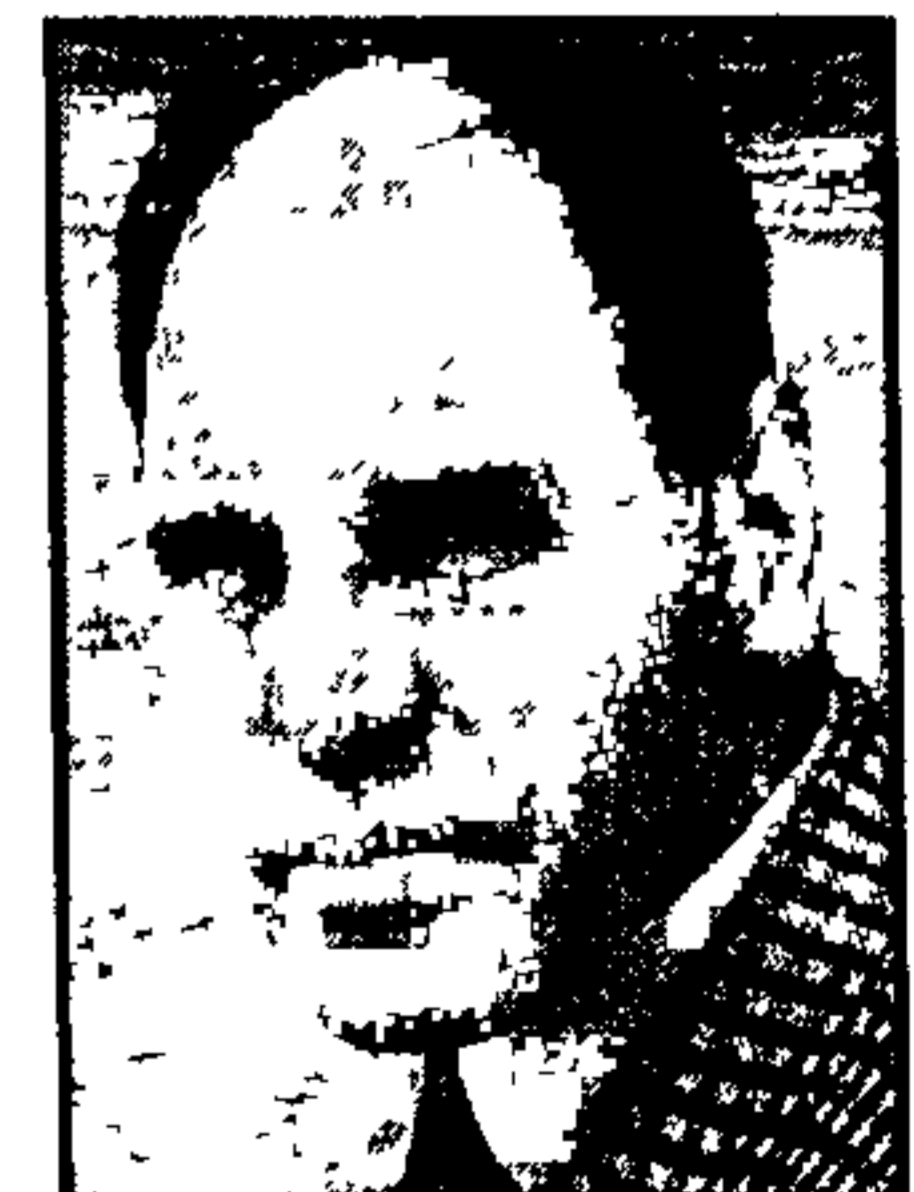
The fire was put out yesterday afternoon but firemen stood by to watch for flare-ups and smouldering tree stumps

AECI managing director of operations services, Boet Coetzee, regretted the fire but added that AECI believed its precautions against fire reaching the sulphur, which included 30 m fire breaks, had been adequate. Mr Coetzee said the company had not allowed for the possibility that a 70 km/h south-easter would drive burning grass to the stockpile

AECI spokesman Jean Nel said the heap of raw sulphur, between 10 and 15 000 tons, was a "strategic stockpile" set up by the previous government when sanctions became a threat three decades ago

The sulphur, which covered about "half a football field" according to Mr Nel, was bought in the 60s and kept as

Reports by JOHANN SCHRONEN
ANDREA WEISS and JENNY VIAI



Boet Coetzee

a backup for the production of explosives "But it was never used, and over the years the sulphur hill remained and eventually became a bit of a problem to get rid of"

"We tried to dispose of the sulphur hill but it was costly and there was a problem finding a suitable site"

He said the vapour was not toxic but could cause extreme

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Develops Macassar

2 brothers die, another 150 hospitalised

AA4 18/12/95 (183)

Emergency services pull out all stops

Staff Reporters

EMERGENCY services pulled out all the stops in Macassar to restore calm to the area where a chemical fire caused panic on Saturday night

Before 9 pm, a veld fire swept through the area adjoining the AECI plant, and ignited a stockpile of sulphur, sending toxic fumes spilling over the Macassar residential area.

Two brothers — Andrew James Williams, 54, and Ronnie Williams 48 — both asthmatics, died separately after having severe asthma attacks

The Somchem emergency centre became the headquarters for operations which were controlled by police superintendent Hermie Esterhuizen. A smaller control centre was set up at the Somerset Mall

Evacuations of about 2 500 residents started shortly afterwards with people being moved to the Somerset Mall, Gordon High School, Danie Ackerman Primary School, Methodist Church, Dutch Reformed Church, Somerset West town hall and the AECI recreational centre

About 10 people were taken to Tygerberg Hospital before midnight, and a further 250 to Hottentots Holland Hospital

Traffic police closed the N2 lane to Cape Town at first, and then later closed the N2 completely, redirecting traffic via Lynedoch near Stellenbosch.

The Cape Metropolitan Council fire service, under whose control the blaze fell, called on Strand, Somerset West and Cape Town for help

CMC fire chief Pete Harries said the sulphur stockpile was about three metres high and the size of two rugby fields

During the night, fire crews tried to control the blaze with hoses, working downwind

At first light, two Oryx helicopters from the SA Airforce started dumping water from the air, while on the ground, front-end loaders were used to cover the smouldering sulphur which was eventually extinguished



H: Firemen douse smouldering trees around the sulphur stockpile after the fire was put out late yesterday

Pictures: LEON MULLER, The Argus

JOHANN SCHRONEN, NORMAN JOSEPH, PISS and JENNY VIALI



etzee

irritation to the eyes, nose, mouth, throat and lungs

A medical rescue worker on the scene said asthmatics and people with respiratory problems were in particular danger of complications

Two such unfortunate people were Andrew Williams, 54, and his brother Ronnie, 47, both of the Strand and both asthma-sufferers who died as a result of the vapour cloud

The two brothers were on their way to separate functions in Macassar when they were overcome by the gas



QUIET MOMENT: Exhausted firefighters covered with sulphur deposits, come away from the burning stockpile for a breather

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R O T H M A N S R A C I N G

Rothmans
WEEK

Group calls for boycott of Shell

By Mzimasi Ngudle

Sowetan

THE South African Nigeria Democracy Support Group has called for a two-day boycott of Shell products starting from tomorrow

The call follows what the group called Shell's failure to put pressure on Nigeria for democratic reforms

In a statement, the group said it was particularly concerned about 19 Ogoni activists who were due to come before a military tribunal early next year

"We are concerned that Sani Abacha's military government is using the ruse of criminal prosecution to eliminate opposition - as was the case with Ken Saro Wiwa," they said

The group threatened to call for more boycotts of Shell products if the petroleum giant continued to defy worldwide calls to exert pressure on Abacha's regime

The group comprises, among others, the ANC-led tripartite alliance, South African Football Association, Business South Africa, National Association of Democratic Lawyers, Lawyers for Human Rights, Congress of South African Writers and the National Olympic Committee of South Africa



Fire safety measures inadequate says AECI

183

OWN CORRESPONDENT

Star 18/12/95

Cape Town - A joint committee has been formed and an independent commission of inquiry is to be held after a raging chemical fire caused havoc in Somerset West at the weekend.

The resolution to hold an inquiry was taken after more than 20 Macassar community representatives, an AECI delegation, high profile police officers and provincial ministers held a three-hour meeting in the Somerset West town last night.

Two Strand brothers died and scores of residents from Macassar and surrounding areas, were treated in hospitals for gas inhalation after a fire raged at the AECI chemical dump in Somerset West on Saturday.

The committee - comprising Macassar town councillors, community leaders and AECI officials - agreed that they would address immediate problems such as medical accounts, hospitalisation, suggestions that food might be poisoned by the fumes as well as thefts from Macassar houses after residents had left.

The commission of inquiry is to investigate the cause of the fire and how to implement an action plan to safeguard Macassar and nearby communities should a similar tragedy occur in the future.

AECI, the company that stockpiled the sulphur on behalf of the Government, has acknowledged that safety measures were inadequate.

AECI managing director Boet Coetzee said more than 2 000 pamphlets were being distributed in the communities today detailing counter-measures in dealing with food affected by the sulphur dioxide.

A local pharmacist said "Excess amounts of sulphur dioxide can cause acute bronchitis and be fatal when inhaled by asthmatics."

"When it is taken into the digestive system, it can cause gastric problems such as bleeding, vomiting and diarrhoea."

AECI managing director of operations services, Boet Coetzee, regretted the fire but added that AECI believed its precautions against fire reaching the sulphur, which included 30m fire breaks, had been adequate.

Coetzee said the company had not allowed for the possibility that a 70km/h south-easter would drive burning grass to the stockpile.

AECI spokesman, Jean Nel, said the heap of raw sulphur, between 10 000 and 15 000 tons, was a "strategic stockpile" set up by the previous government when sanctions became a threat three decades ago.



First-aid station people take refuge outside the city hall in Somerset West, near Cape Town, after thousands were evacuated during Saturday night because of poisonous gas leaking from the blazing AECI chemical plant near the Macassar township.

Wife's helpless anguish as her husband suffocates in cloud of deadly fumes

Cape Town - The anguished wife of one of the men who died in the AECI gas cloud on Saturday night was rushing her husband to hospital when she stalled the car in

her panic and watched in horror as he died next to her.

He was one of two brothers who died as the sulphur gas cloud from the chemical blaze at

AECI's sulphur storage dump near Somerset West enveloped Macassar. Andrew Williams (54) and Ronnie Williams (47), both of The Strand and both asthma suf-

ferers, were on their way to separate weddings in Macassar when they were overcome by the fumes.

Sandra Williams said she had been driving her husband Andrew to a wedding reception.

"We could see the smoke and smell it. We had just passed the security guard when Andrew said his chest was closing in. He told me to turn around and drive to the doctor. I did but there was no one there. I was rushing to get to the hospital because he was panicking and anxious and couldn't breathe. On Fingrove bridge I stalled and then I flooded the car and couldn't start it again. I saw that Andrew's head had fallen on to the dashboard.

"I felt his neck and his wrist but there was no pulse. He was already dead," Mrs Williams said - Own Correspondent



Looming danger a huge cloud of smoke and sulphur vapour hangs over Macassar

21/11/83 Farmers face ruin after acid rain from AECI fire destroys crops

CAPE TOWN — Farmers in the Somerset West-Stellenbosch area face large financial losses after a cloud of sulphur from a fire at AECI on Sunday destroyed vegetable and fruit crops.

Sapa reports that with the rain that followed the fire, sulphurous acid was formed, burning the leaves and fruit of most trees and running vegetable crops in the area. Two people died and thousands had to flee their homes.

Rust-en-Vrede owner Brian Pickering, who supplies Pick'n Pay and other stores, said all his lettuce, spring

onions and cocktail tomatoes were burnt. "It looks as if somebody threw battery acid over the crop," he said. "All my cash is tied up in the crop... and this is normally our busiest period."

Farmer Johannes Visser said 80% of his 35ha of vegetable crops was wiped out. "I am still trying to estimate the cost and am speaking to my lawyers so the chemical company can take responsibility for these losses."

Gunter Henke, who farms flowers and vegetables, said his immediate loss was about R100 000. "That was

just what I paid for the plants and seeds which were destroyed by this acid rain."

An AECI spokesman said the company was consulting its insurance brokers about the damage.

Mungo Soggot and Edward West report AECI spokesman Mike Blizzard said the company's farming specialists and assessors would visit affected farmers in the next few days to discuss possible compensation.

Blizzard said the stockpile of 15 000 tons of sulphur — owned by govern-

ment but managed by AECI — had been established 20 years ago. AECI had believed its safety measures were sufficient. But a wild fire on Saturday night, whipped up by a 70km/h wind, had jumped two firebreaks. AECI would negotiate with government about what to do with the sulphur.

Meanwhile, officials from the labour department, responsible for occupational health and safety, said government lacked the staff and know-how to police industry's storage of potentially lethal substances adequately.

Chemicals

(183) (83) (10) (10)
Continued from Page 1
BD 19112195

such events had taken place.

The admission emerged as AECI and representatives of the Maccassar community met yesterday to discuss the fall-out from fire.

Blizzard said that it had been agreed at the meeting that AECI would establish a health office in Maccassar managed by doctors specialising in respiratory ailments, that medical bills resulting from the fire be paid by AECI and that an independent board of inquiry be set up to investigate the disaster. Blizzard said AECI managed a similar stockpile at a plant in Natal at its Umbogintwini plant.

An AECI spokesman said it did not have a central inventory of potentially hazardous chemicals, but individual

operating sites did. It would be impractical to have one list of the locations and amount of potentially lethal waste in SA as it was difficult to know where to draw the line. "Just about all chemical substances, no matter how innocuous they may seem, could present a hazard of one kind or another."

AECI said that over the past 18 months it had set up community awareness and emergency response committees at AECI operating sites.

Lukanyo Mnyanda reports a Sasol spokesman said Sasol did not have an open stockpile of sulphur at its Sasolburg chemical operation, and its Natref refinery at Sasolburg, which produced sulphur liquid, had a sophisticated emergency plan. Both Sasol plants in Sasolburg and Secunda had emergency response systems which could warn nearby communities of impending chemical dangers with sirens and radio frequencies.

The department had no records of locations for the storage of hazardous waste and insufficient manpower to police companies. Though new legislation expected next year would increase the companies' responsibilities, they would not be bound to inform government about storage details.

A labour department occupational health and safety spokesman said the new legislation would beef up government's ability to "point fingers" after

Continued on Page 2

Farmers face ruin after acid rain from AECI fire destroys crops

BD 19/12/95

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Continued on Page 2

Drug companies take a new look over the counter

(183) (1971/12/195)

By Shirley Jones

Durban — In response to the changing health care scenario in South Africa, pharmaceutical companies are refocusing on over-the-counter products.

Adcock Ingram is looking for growth from its consumer health care division, the product of last year's merger between its self-medication and consumer products divisions.

"The health care sector is facing change and cost reform pressures. The group intends growing this division with direct-to-consumer marketing and resource it to deliver an even higher contribution to group earnings," says divisional head, Chris Rose.

This strategy has already begun in earnest with consumer health care's Mobern and Industria plants likely to secure a R14 million slice of the R78 million budgeted for major upgrades throughout the group during 1996. The factories will benefit from the introduction of state-



HEALTHY APPROACH The head of Adcock Ingram's consumer health care division, Chris Rose, will give priority to brand building and consumer care in 1996 as the market faces pressure to keep costs down.

of-the-art automated packaging technology aimed at reducing lead times by at least 20 percent.

According to Rose, the division has a number of new self-medica-

tion and personal care products in the pipeline. He says these will not only support major brands through the introduction of new variants, but also see the introduction of new

brands in niche markets during 1996. As a result, Rose expects the division, which has traditionally made a strong contribution to group profits, to increase volume growth

from 3 percent this financial year to 5 percent annually from now on. Rose says that during the past year, the division has registered significant distribution gains with 23 percent of sales through cash-and-carry outlets and 9 percent through independents, taking the mass market channels to more than 30 percent of turnover.

However, the division's main thrust is now into the still largely untapped mass market. Spaza outlets are already well covered, but new distribution opportunities will be developed through service station forecourts and cash-and-carry sponsored repackaging operations, which produce smaller pack configurations for low socio-economic households. This new focus has not only led to new products, but to the rejuvenation of existing brands.

"Brand building is one of our key competencies. We are stewards of very significant assets which have proved engines for growth in the past and will continue to do so in the future," he says.

GAS DANGER PAST

Farmers want compensation

CT 19/12/95 (183)
THE TOXIC pall that hung over the Cape Flats at the weekend may have gone, but farmers are still counting costs. **EUNICE RIDER** reports.

CITY Medical Officer of Health Dr Michael Popkiss yesterday criticised the siting of AECI's sulphur storage dump at Macassar, saying it was "obviously unsatisfactory — as the sulphur gas fire this weekend has clearly indicated"

But Dr Popkiss said he believed the episode was now over and ruled out any possibility of a pall of toxic fumes still hanging over the Peninsula, saying the heavy cloud of gaseous smoke would have been dispersed by now.

Although there were reports of the toxic smoke being smelt in the city on Saturday night and Sunday, there was "no demonstrable toxic effect" and the Cape Town City Council's environmental health team closest to the fire — at Mitchells Plain — had not received any complaints

Dr Popkiss said that when the gas was inhaled deeply a chemical reaction caused it to form sulphuric acid, which destroyed the tiny hairs in the lungs and caused pulmonary oedema. Water from blood in the lungs was released into the lungs' air sacs, resulting in "a kind of drowning"

"Such patients need to be put on steroids and given oxygen as soon as possible, and may also need antibiotic medication to combat infection," he said

Crop losses

Meanwhile farmers near the AECI storage dump in Macassar are counting their losses of fruit and vegetables "burnt" by an acid rain effect caused when rain fell on sulphur gas powder that had settled on their crops.

Mr Tjeks Roos, owner of the Rust en Vrede wine farm near Stellenbosch, said that although his mature vine crops had escaped severe damage, he had suffered serious setbacks to his tobacco crop and in his nursery

Mrs Pat Cook of Brian Pickering's Vegetable Farm and Packaging Shed, said the company, which supplies upmarket hotels and retail stores with organically grown pre-packed lettuce combinations and salad ingredients had suffered severe losses and would probably be out of business for the next six weeks "

One Rust en Vrede farmer said his entire crop of lettuce, spring onions and cocktail tomatoes had been burnt by acid fallout

Another said he had suffered losses of about R100 000 because of the acid rain

Farmers in the area are planning to form a committee to ask AECI for compensation

Responding to a statement by AECI managing director Mr Boet Coetzee that AECI had not made safety allowances for the possibility of winds measuring 70km/h in December, Met office forecaster Mr Johan Combrinck said "For us a south-easter of 70km/h is really nothing " December was always a windy month, with gusts of 140km/h

Foul play not ruled out in sulphur dump blaze

(183) (A31)
WHILE the exact cause of the weekend's disastrous sulphur dump fire in Somerset West had not been established yesterday, police had not ruled out the possibility of foul play

The fire at the AECI site coincides with company plans to retrench about 90 employees soon as it is downscaling its explosives manufacturing operation in the area

The sulphur dump, surrounded by massive fire breaks, has been lying at the Somerset West site untouched by fire for more than 10 years, an AECI spokesman told the Cape Times

CF 19/12/95
He said sulphur required intense heat to ignite and that the company had taken every effort they believed possible to secure the government stockpile, which they have managed since the apartheid era.

He said it was "normal" to stock sulphur without protection from the elements

Small bush fires started up last Wednesday and kept recurring despite attempts to extinguish them

The company spokesman dismissed speculation that the fire was started deliberately and said it was believed the incident was an "act of God"

An independent board of inquiry and police will conduct investigations into the cause of the fire — Crime Reporter

AECI to aid victims of sulphur gas disaster

STAFF REPORTER

CHEMICAL giant AECI is to set up a health-care centre at Macassar to treat victims of the weekend's sulphur gas disaster, and is to foot the medical bills of people affected by the noxious gas.

This was decided at a meeting between community representatives and AECI yesterday, when the broad terms of reference of an inquiry into the matter were also decided upon.

AECI group communications manager Mr Mike Blizzard said last night that "great strides" had been made at the meeting and that "a solid relationship" had been forged between AECI and the community.

He conceded that the community was angry about the disaster but said it was calmer after the meeting, which "addressed many of the concerns". Mr Blizzard said AECI had agreed to set up a health-care centre at Macassar to deal with any "residual" medical treatment and cases of trauma and to administer the payment of residents' medical bills.

Another meeting will be held today to discuss the composition of the inquiry.

Provincial Minister of Housing and acting Premier Mr Gerald Morkel, who visited the area yesterday and attended the meeting, said last night: "It was conducted in a very good spirit from both sides."

He said AECI was meeting its obligations "without shying away", and the Macassar residents were "a forgiving community".

Voluntary workers who helped feed the 2 500 Macassar residents after the fire have slammed regional ANC head Mr Chris Nissen for complaining that the evacuees had only been given soup and bread.

One of the Somerset West Rotary Club volunteers, Mrs Bernice Marsh, who worked from dawn on Sunday until late afternoon preparing food for the evacuees, said yesterday: "This man needs to be told his fortune. Where was he when we were feeding the people?"

"If he feels so strongly, why didn't he come with food and volunteers instead of criticising the hundreds of people who gave up their time to do the best they could in the circumstances?"

Reacting to Mr Nissen's criticism that in his culture people had "a decent meal every Sunday", Mrs Marsh said: "There was no way we could have made roast chicken. We had over 2 000 people to feed and just one small stove to make soup on."

Another Rotary volunteer, Mrs Wendy Mercer, said: "This was an emergency and soup is an emergency food. We sent people home to Macassar with loaves of bread and tins of food. Mr Nissen is really being unfair to the hundreds of volunteers, including doctors and nurses, who gave their services free."



ACID RAIN: Stellenbosch farm employee Mr Denver Williams shows a crop of lettuce he claims was burnt when fine sulphur that fell on them after the fire at an AECI dump was turned into mild sulphuric acid by rain on Sunday night. ● See Page 5 PICTURE: NIC BOTHA

**MORE
REPORTS
- PAGE 5**

CT 19/12/95

(183) (183)

Strong mandate for sulphur fire inquiry

(183)

ARG 19/12/95

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□ AECI meets residents, agrees to set up trauma unit for victims

Staff Reporter

THE proposed commission of inquiry into the AECI Somerset West sulphur dump fire is to have a strong mandate that could have serious implications for industry throughout South Africa.

The interim terms of reference for the inquiry were agreed to yesterday after a meeting of Macassar residents and AECI officials

They included such items as "civil defence responsibilities" and "the question of emergency response systems", which could have nationwide implications

In addition to the terms of reference for the proposed fully fledged inquiry, the meeting agreed to set up a "trauma unit" to deal with the effects of the disaster and to assess dam-

ages

The unit would be established in the new local civic centre where, it was hoped, a chest specialist from Groote Schuur Hospital's chest unit would be in attendance from today.

"We have also agreed that the terms of reference should include an investigation into whether the legislation presently in place is sufficient for dealing with disasters like this one," said the vice-chairman of the province's Standing Committee on Environment Affairs and Agriculture, Russell McGregor

Macassar, about two kilometres downwind from AECI's 15 000 ton sulphur stockpile, bore the brunt of the disaster when the stockpile erupted into flames late on Saturday.

The entire 2 500-strong popu-

lation was evacuated, two brothers died and at least 150 residents were treated in hospital as a huge vapour cloud swiftly enveloped the suburb

Farmers reported huge losses as rain turned sulphur fumes into acid, which severely burned vegetable and fruit crops.

Asthma sufferers, brothers Ronald and Andrew Williams, who died in the fumes, are to be buried on Thursday.

AECI officials yesterday held discussions with Macassar community leaders in a municipal office in Macassar to set up the inquiry and trauma unit

The parties agreed to keep detailed records to help the commission of inquiry.

Community members, yet to be appointed, are to "authenticate and check medical claims of residents" and give advice

AECI officials gave the undertaking that "Incident-related, verifiable costs will be paid" Other possible payouts will form the basis of later discussions.

Parties to yesterday's meeting included the mayor of Macassar.

The independent commission of inquiry has won cross-political party support

Minister of Local Government Pieter Marais said in a statement last night he believed a commission should be appointed immediately and would be contacting Premier Hennis Kriel in this regard at the earliest opportunity.

Mr Nissen, the Western Cape ANC leader, said he intended raising the issue when the provincial cabinet first met in the new year.

Agriculture experts called in

Staff Reporter and Sapa

CHEMICAL giant AECI has briefed a team of agricultural experts to assess crop damage caused by the huge sulphur fire in the Somerset West area.

At the meeting between company representatives and Macassar community leaders yesterday, AECI was told that in addition to claims for farm crop damage, the company could also expect a number of claims from Macassar residents whose gardens were destroyed

AECI officials told the meeting their agricultural specialists would offer support and advice to farmers

The company also assured consumers that food which came into contact with the sulphur should not be destroyed.

"In food processing, sulphur dioxide has a wide range of applications including treating vines for bacteria, sterilising wine casks as a preserva-

tive for dried fruit, as a bleach for grain and in the refining of sugar.

"On the basis of this, and the information we have available, we believe the release of sulphur dioxide would not have resulted in any spoilage of stored food or affect its subsequent consumption," a company statement said.

Meanwhile, Somerset West mayor Leon Deacon said the mounds of sulphur left at the AECI site near Somerset West after the weekend's chemical blaze should be removed

Mr Deacon said he was sure African Explosives and Chemical Industries' management would act on this immediately

AECI should also ensure there were no other potentially hazardous substances on the site that could lead to a repeat of the fire which left two dead and forced thousands of Macassar residents to evacuate their homes

ANC calls on motorists to boycott Shell

JOHANNESBURG. — The ANC has appealed to South Africans to boycott Shell products today and tomorrow to urge the oil giant to help bring democracy in Nigeria. ARG 19/11/95

"The ANC and the South Africa-Nigerian Democratic Support Group (SANDSG), would like to remind all members of the public about the two-day boycott of Shell products.. today and tomorrow," said ANC spokesman Carl Niehaus

"We urge holiday-makers to simply drive past Shell stations and remind Shell of the responsibilities they cannot escape .. to use its economic power to place pressurise the Sani Abacha regime."

The SANDSG, a coalition of church, sport and labour groups led by the ANC, on Friday announced a two-day boycott because of the company's failure to put significant pressure on the Nigerian government to make democratic changes.

But Shell has said a business could not take on the role of a government

Meanwhile the Greater Johannesburg Regional Taxi Forum yesterday distanced itself from the boycott.

"The taxi industry does not see itself being used in political conflict," the forum said in a statement

NATIONAL NEWS

Acid rain destroys crops

183
Sowetan
19/12/95

Sowetan Correspondent

FARMERS in the Somerset West-Stellenbosch area are faced with huge financial losses after the cloud of sulphur from a disastrous chemical fire burnt their crops

As Sunday's rain followed the fire, farmers were inspecting the damage the sulphur fumes and acid rain had caused to their crops. Chemical giant AECI now faces massive damages claims from furious farmers.

The blaze at AECI's storage dump in Somerset West dispersed thick clouds of acidic sulphur over the farming area, destroying vegetable and fruit crops.

Mixed with the rain that followed the fire, the sulphur turned into sulphurous acid that burnt the leaves and fruit of most trees and ruined vegetable crops in the area.

A number of farmers were horrified yesterday when they saw the extent of the damage after inspecting their farms.

Rust-en-Vrede owner Brian Pickering said he could not believe what he saw – all his lettuce, spring onions and cocktail tomatoes were burnt.

Just wiped out

"Everything was just wiped out in one single go. It looks as if somebody threw battery acid over the crop – the leaves are all burnt.

"I really do not know what to do because if we don't have a cash flow we will go bankrupt and all my cash is tied up in the crop.

"We supply Pick 'n Pay and a number of other stores. I had to telephone them this morning to explain my predicament. This is normally our busiest period and the time of the year when we make some money. Now I will have to explain to the workers why I can't pay them."

Johannes Visser of the farm Vorentoe said 80 percent of his 35 hectare salad vegetable crop was wiped out.

"The young plants just shrivelled up and died. I am running around not knowing what to do. This is a very big problem which needs to be resolved very quickly."

Gunter Henke, who farms flowers and vegetables, said his immediate loss was about R100 000.

An AECI spokesman said the company was consulting its insurance brokers about the damage and would inform the farmers later about their response.

Macassar's hot fury

Somerset 19/12/95

WHEN A CLOUD OF POISONOUS gas from a chemical plant fire rolled into a small Western Cape town at the weekend, killing three people and forcing the evacuation of thousands, the African National Congress saw apartheid as the real culprit behind the tragedy

The fire that caused the disaster began in a field of grass close to the township of Macassar late on Saturday. Wind blew sparks on to the African Explosives and Chemical Industries (AECI) stockpile near Somerset West, about 40 kilometres from Cape Town

Stored at the plant were 15 000 tons of sulphur, part of the former apartheid government's stockpile against sanctions

Almost immediately a cloud of dense, toxic smoke billowed over the area, forcing 2 500 Macassar residents to flee in an assortment of cars, fire engines, police lorries and ambulances

"We just saw a cloud of smoke coming over our place," said Macassar resident Mr David Ross after he was evacuated. "We at first thought it was just grass burning but then we smelt gas

"Our eyes and noses were stinging and our chests (were) so tight. We had difficulty breathing"

At least 100 people were treated for smoke inhalation and released later. By Sunday afternoon, the crisis was contained and people were allowed to return home

Strong winds and quick action by Cape emergency services were credited with saving hundreds of lives, but questions were being asked about why potentially dangerous chemicals were stored so close to residential areas

ANC Western Cape leader Mr Chris Nissen lost no time in blaming the country's former white-minority government for the disaster

"One must understand (the location of the chemical plant) against the background of bad apartheid planning, where black people were located next to strategic industries," Nissen said

South Africa has a legacy of inadequate environmental legislation and, during the apartheid era, government insensitivity towards social concerns translated into poor environmental and industrial safeguards

But critics of the ANC have accused it of moving too slowly on environmental and industrial safety issues, preferring to blame apartheid for any difficulties

The AECI plant has been used to manufacture paint, vinyl and plastic for the past four years. Company spokesman Mr Mike Blizzard said the sulphur had been at the plant for the past 10 years as part of the previous govern-

Environmental group Earthlife Africa concludes that the chemical plant had no contingency plans to handle a disaster of these proportions.. (183)

ment's strategic stockpiles

"The sulphur was part of a stockpile put together by the government over 10 years ago. It was part of a strategic resource in the same way oil was stockpiled," he said

However, Earthlife Africa slammed AECI for "a lack of any environmental standards or procedures"

Earthlife spokesman Ms Liz McDaid said the environmental group had gone to inspect the area and concluded that AECI had had "no contingency plans" in place to deal with such an emergency

Residents of Macassar were only warned of the gas after 11pm on Saturday, when the fire had already been burning for about five hours, she said

"AECI sat back and let Macassar take the risk because of the lack of safety there," she said

McDaid also took issue with an AECI statement on radio that the gas was an "irritant", saying it was important to "note the toxicity of the gas"

She further said that AECI could have caused environmental damage and possible health hazards by spraying water on the burning sulphur, as this would form sulphurous acid

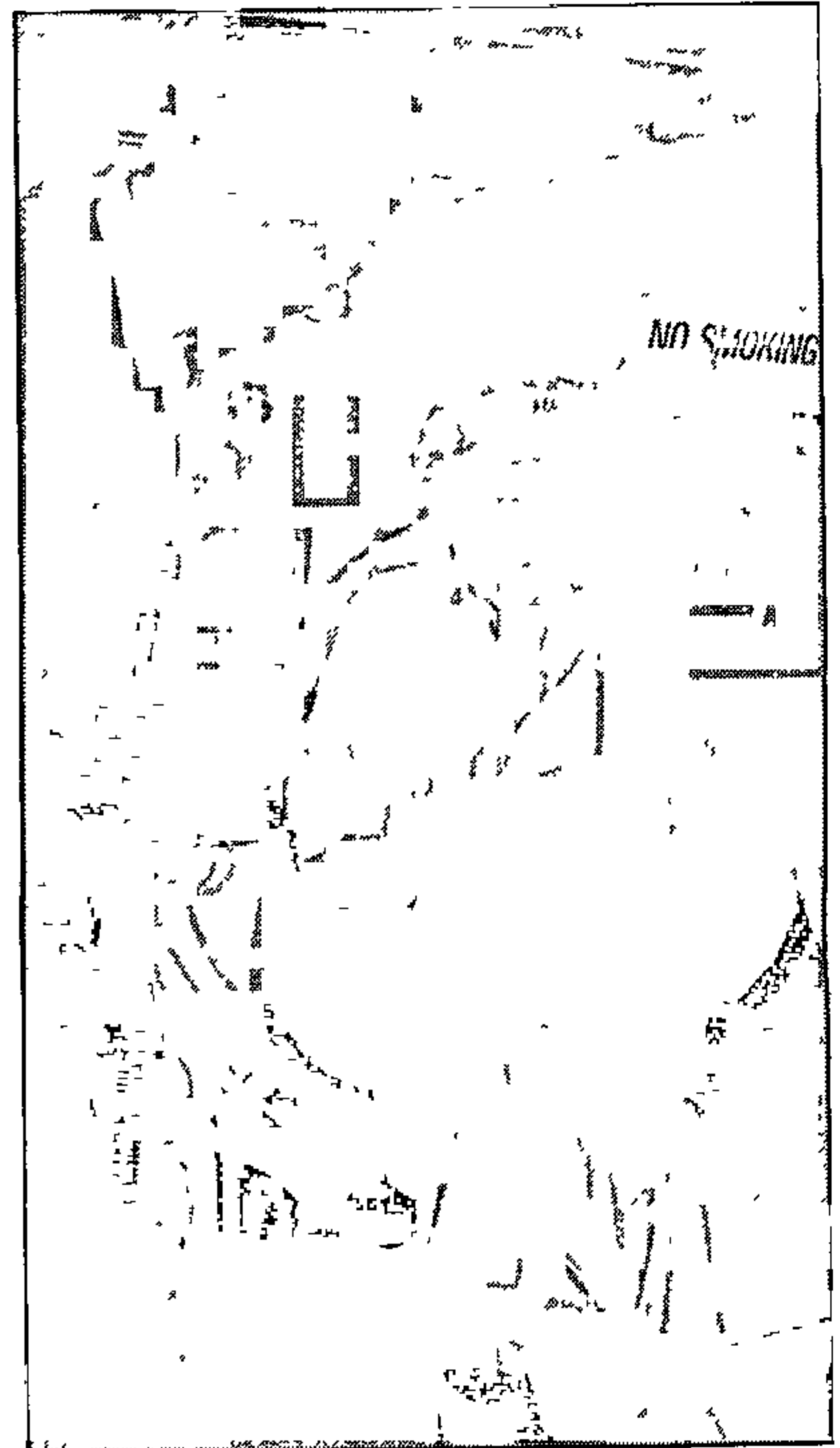
Speaking at the town hall of Somerset West, where he had spent the night with family friends, Mr Moses Faviers said the presence of the AECI plant and a neighbouring Somchem installation meant the people of Macassar were living in a dangerous place

"I think people realise today for the first time how dangerous that place really is," he said

Mr Neil Sambaba, also an evacuee, wanted to know what would have happened if there was an explosion at either of the plants

"Such things do not belong near places where people live," he said. "They belong in deserts. We cannot go on living like this"

Grandmother Mrs Katrina Julies said that after a night without sleep, she was still "very



Ambulancemen give an elderly woman oxygen after she was overcome by sulphur fumes in Macassar.

nervous" about what had happened

When police came to evacuate her, the gas had burnt her chest so badly that she feared she would not make it to the patrol van, she said. "I want to know if the factories can move or if Macassar can move," she added

Macassar cricket team were playing an end-of-year match when they first noticed the smoke

Many evacuees reported hearing that up to 35 people had died in the gas cloud - claims which have repeatedly been denied by various authorities, who put the number at three - *The Independent (London), Cape Times and Sapa*

Shell boycott call 'misguided'

(183) Same as 19/12/95

A BOYCOTT of Shell South Africa in an attempt to push the international fuel company into withdrawing from Nigeria would be misguided, Shell SA chairman Mr IWM Dyer said yesterday.

Pressure against the Nigerian military junta was in the hands of the Commonwealth, not businesses, Dyer said in reaction to the South African Nigerian Democratic Support Group's (SANDSG) call for a two-day boycott of Shell this week.

The SANDSG on Friday called for

a two-day boycott today and tomorrow of the approximately 800 Shell service stations in South Africa, and asked the public to picket the stations.

This was in protest against last month's execution of nine Ogoni minority activists by the Nigerian government after a secret tribunal found them guilty of murder.

Have no control

Shell's South African service stations were operated as independent enterprises solely dependent for their

income on the sales of Shell fuel and other products, Dyer said in a letter faxed to the SANDSG, headed by African National Congress deputy general secretary Ms Cheryl Carolus.

"Our association and our members have no control or influence whatsoever over Shell's involvement in Nigeria and, although we respect your democratic freedom of expression and protest, this cannot be exercised at the expense of the equally valid right of our workers to pursue their livelihood," Dyer said.

A boycott would financially impact on Shell South Africa's 10 000 employees and their families, he said.

He said the ANC's statement that "due regard" was given to this issue was regarded by Shell SA as "cynical and indicating that in truth (the ANC's) agenda does not take the livelihood of our members, their employees and their families into account".

Dyer said Shell SA reserved the right to claim damages "jointly and severally" from the SANDSG - Sapa

● See also page 8.

'Killer fire couldn't occur in Gauteng'

(183) Star 19/12/95

By **CHERYL HUNTER**
City Reporter

The chemical fire at AECl in the Cape which claimed three lives at the weekend is unlikely to happen in Gauteng because of stringent safety procedures in place, AECl spokesman Robbie Vermont said yesterday

More than 2 000 people were forced to evacuate their homes in Somerset West when a chemical fire, lit by a smouldering veld fire, spread dangerous fumes across the area

"There are incredible precautions taken at a place like Modderfontein because of the production of explosives in the factory, and we do not have to build fire-breaks to combat gale-force winds," Vermont said

"We manufacture explosives only in small batches for safety, so if there is an explosion, the effect is limited"

He added that the units in which the explosives were manufactured, called magazines, were also small and "bunkered" so that a blast would move upwards and not sideways

"We severely limit all activity in the vicinity of the magazines

where small amounts of the explosive are stored and allow large amounts of open space between these structures," he said

The grass around potentially hazardous areas was kept very short

"We must remember that the accident occurred during a gale which carried flames across a fire-break - something highly unlikely to happen here," he added

There was a well-equipped firefighting team based at Modderfontein, which was the only area where the manufacture of explosives took place on a large scale, and other storage points had links to their local fire departments, according to Vermont

Leon Zeiler, battalion chief for Johannesburg's fire and safety division, confirmed this information and said any company manufacturing or storing lethal chemicals had to build approved storage facilities in the building

"The plans for such a building are submitted to the fire department who are then involved from the outset," Zeiler said

► Acid rain devastates crops

Page 8

AECI fire devastates crops

(183) (183)

Some farmers face bleak future after clouds of dense, burning sulphur billow over their land

SAPA
Cape Town

Farmers in the Somerset West-Stellenbosch area face large financial losses after a cloud of sulphur from a fire at African Explosives and Chemical Industries burnt their crops.

The blaze at AECI's storage dump in Somerset West dispersed thick clouds of acrid sulphur over the farming area, destroying vegetable and fruit crops

When mixed with the rain that followed the fire, the sulphur changed to form sulphurous acid that burnt the leaves and fruit of most trees and ruined vegetable crops in the area.

Rust-en-Vrede owner Brian

Pickering said yesterday he could not believe what he saw - all his lettuces, spring onions and cocktail tomatoes were burnt.

"Everything was just wiped out in a single go. It looks as if somebody threw battery acid over the crop - the leaves are all burnt. I really do not know what to do because, if we don't have a cash flow, then we will go bankrupt and all my cash is tied up in the crop.

"We supply Pick 'n Pay and a number of other stores. I had to telephone them this morning explaining my predicament. This is normally our busiest period and the time of year when we make some money. Now I will have to explain to the workers why I can't

Star 19/12/95
pay them."

Johannes Visser of the farm Voorentoe said 80% of his 35ha salad vegetable crops had been wiped out.

"I am still trying to estimate the cost and am speaking to my lawyers so that the chemical company can take responsibility for these losses.

"The young plants just shrivelled up and died. I am running around not knowing what to do."

Gunter Henke, who farms flowers and vegetables, said his loss was about R100 000.

An AECI head office spokesman said the company was consulting its insurance brokers and would then tell farmers their response.

Asthma deaths postmortem after horror fire

Cape Town - A postmortem would be performed on two brothers who died after the chemical blaze outside Somerset West at the weekend.

Police spokesman Capt Wicus Holtzhausen said the postmortem was planned for yesterday or today, depending on their workload.

Andrew Williams (54) and his brother Ronue (47) of The Strand were believed to be asthma suffer-

ers. They were on their way to separate weddings in nearby Maccassar when they apparently were overcome by sulphur dioxide fumes.

"If the postmortem revealed they had not died of natural causes, it would be up to a magistrate to decide whether anyone could be held responsible," Holtzhausen said.

Cape Town's medical officer of health Dr Michael Popkiss said

stress resulting from the fire could have a more serious long-term effect than the sulphur dioxide.

The trauma of being evacuated from their homes and relocated could be very upsetting to people, Popkiss said.

A spokesman at Somerset West's Hottentots Holland hospital said yesterday that staff had been stretched to the limit treating people suffering from sulphur dioxide inhalation - Sapa

AECI assessors look into liability claims

(183) ~~183~~ BD 20/12/95

AECI Ltd said it carried comprehensive public liability insurance for the fire at its plant near Somerset West in the Western Cape and which it was in the process of investigating with assessors

The fire, which left three people dead, scores injured and forced about 2 500 to flee their homes, began late on Saturday, spewing toxic sulphur dioxide from burning piles of sulphur near the plant.

Nearby farms were also reported to have lost large areas of crops in the incident

"The AECI group has a comprehensive public liability policy in place with local and overseas liability insurers," the company said

"Assessors representing the insurance companies are currently involved in investigating the incident in conjunction with the local communities with a view to resolving the issues at hand," it said.

Spokesman Mike Blizzard said he was unable to make a preliminary estimate of claims which may arise, nor how liability for the incident may be apportioned

AECI said earlier it was responsible only for the maintenance of the sulphur stockpiles, which belong to government.

Meanwhile, Western Cape finance and environment affairs

MEC Kobus Meiring said yesterday he was satisfied that an independent commission set up by AECI and the Macassar community would be sufficient to investigate the blaze

On Saturday ANC Western Cape leader Chris Nissen called on the provincial legislature to set up an independent investigation into the cause of the fire.

Visiting the factory yesterday, Meiring said he was satisfied that the independent commission would be sufficient "We need to give AECI and the people of Macassar a chance and I don't see any good in having two investigations," he said.

AECI operations services managing director Boet Coetzee said it was important for the company to establish the facts.

The proposed commission of inquiry into the fire would have a strong mandate that could have serious implications for industry throughout SA.

The interim terms of reference for the inquiry, such as civil defence responsibilities and emergency response systems, were agreed to on Monday by Macassar residents and AECI officials and could have nationwide implications. — Reuter, Sapa.

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SULPHUR DUMP: AECI's general manager, operational services, Mr Bertie Humphries (left), guides Western Cape Environment Minister Mr Kobus Meiring around the open sulphur dump yesterday **PICTURE: ALAN TAYLOR**

AECI sulphur stock halved after collapse of apartheid

STAFF REPORTER

THE consequences of the weekend AECI fire would have been far worse in the heyday of apartheid when twice the amount of sulphur was stored there at the behest of the government.

This emerged at a press conference at the plant yesterday addressed by Western Cape Environmental Minister Mr Kobus Meiring and the managing director of the huge explosives and chemical company, Mr Boet Coetzee

They confirmed that the government had asked AECI to stockpile the strategic chemical when the world-wide isolation of apartheid began to bite

But it is almost seven years since Mr F W de Klerk announced the official death of the ideology, and 19 months since the inauguration of President Nelson Mandela. Why then, the Cape Times asked, was nothing done to reduce the apartheid stockpile?

"It is a bit unfair to say nothing was done," countered Mr Coetzee. "We have reduced it from 30 000 tons to 15 000 tons."

Probe

However, it would be an issue for a commission of inquiry to take further if necessary, along with all other issues, he said.

Sulphur was first stored at AECI's Somerset West plant about

30 years ago

Mr Meiring said he was satisfied with the commission set up by the company and saw no need for an independent investigation by the province, as demanded by Western Cape ANC leader Mr Chris Nissen

Mr Meiring said he was impressed by AECI's handling of the disaster, as outlined to him at a meeting he attended yesterday

Toxic sulphur dioxide engulfed the adjacent coloured township of Macassar on Saturday night after a veld fire fanned by strong winds ignited an open sulphur storage dump on the plant's outskirts

The funeral for the Williams brothers, Andrew, 54, and Ronnie, 47, who died in the disaster, is at noon tomorrow

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11 protesters held after picket at Shell station

CT 20/12/93

(183) (25)

PRETORIA: The South Africa, Nigeria Democratic Support Group (SANDSG) kicked off its two-day protest action against Shell with a placard demonstration at a Shell Ultra City service station along the Ben Schoeman Highway near here yesterday

No incidents of protest activity were reported in the Western Cape or other parts of the country and it was business as usual at most Shell service stations, Shell spokesman Mr Pieter Cronjé said.

Police arrested 11 picketers at the Shell Ultra City on the Ben Schoeman Highway for contravening the Road Traffic Act, which prohibits people from walking on the highway.

A police spokeswoman said people were not allowed to walk on a highway unless they were

forced to by circumstances beyond their control

The group, protesting against Shell's involvement in Nigeria, were warned twice not to walk on the highway

Motorists pulling into the service station were not intimidated or harassed and in most instances were unaware of the protest action.

Executions

The 11 protesters were later released on a warning and told to appear in the Pretoria Magistrate's Court today

The SANDSG last week called for a national two-day boycott of about 800 Shell service stations in South Africa to start yesterday to protest against last month's execution of nine Ogoni minority

activists by the Nigerian government

Support group spokesman Mr Carl Niehaus urged holiday-makers to drive past Shell service stations, and said it was up to the multinational to use its economic clout to put pressure on the Nigerian military dictatorship of General Sani Abacha.

Mr Cronjé said Shell viewed the boycott call as "unfair and discriminatory" as the company had been singled out unfairly "There are also other oil companies operating in Nigeria.

"A business cannot assume the role of a government, the United Nations or Nigeria to change the political dispensation.

"We do not feel this is the role of business," Mr Cronjé said — Staff Reporter, Sapa

ARC 20/12/95
**Farmers
 put the
 squeeze
 on AECI**

(183)
 Staff Reporter

FARMERS in the Somerset West-Stellenbosch district, whose crops were damaged by acid rain caused by the fire at a sulphur dump at the AECI plant in Somerset West, want their "several millions of rands" damage claim dealt with swiftly.

The blaze at the storage dump sent thick clouds of acrid sulphur dioxide into the air and when it mixed with the rain that followed the fire the sulphur dioxide formed sulphurous acid that burnt the leaves and fruit of most trees and ruined vegetable crops in the area.

Some of the farmers had their entire crops wiped out and faced financial ruin as all their cash was tied up in their crops.

Earlier this week 13 farmers hired a firm of assessors to calculate their losses and damage and submitted their claims to AECI. The company has also briefed a team of agricultural experts to assess the crop damage and to offer support and advice to the farmers.

Ebbe Rabie of Robins Campbell and Williams firm of insurance loss adjusters said the company was hired by about 13 farmers and got calls from a few others to help prepare and submit claims to AECI.

"We are still formulating claims and are only looking at the damage caused to the plants at this stage and not to the soil. Already it is running into several millions of rands."

He said all the farmers had adopted a very reasonable approach to the situation with regard to claims and all hoped the company would be just as flexible and would speedily compensate them.

One of the farmers most affected by the acid rain, Johannes Visser of Voorentoe farm, who lost 80 percent of his 35 hectare salad vegetable crop, said assessors estimated his damage to be about R600 000.

"I have been in constant contact with AECI and yesterday, with the other farmers, handed in my claim.

"Our biggest worry is how long they are going to take to process it because many of us have workers to pay and very little cash to continue the farming operation."

By Bruno Juwasi
AND MORRIAN CHAMBERS

Petrol protesters fail to stop motorists filling up and 'going well'

The proposed boycott of Shell, initiated by the SA-Nigeria Democratic Support Group, has apparently failed to capture the imagination of local motorists, who continued to fill up at Shell

service stations.
The group had called on South Africans to stage a two-day boycott yesterday and today of the more than 800 Shell service stations in South Africa, to protest against the company's involve-

ment in Nigeria.
The only visible sign of protest was at the Shell Ultra City on the Ben Schoeman highway between Johannesburg and Pretoria, where about 20 people picketed.

Members of the organisation some with chains around their necks, stood on the side of the highway waving placards which said "Shell is about blood", "Shell products kill", and others bearing the names of the nine Ogoni activists executed by the Nigerian

military regime. Eleven of the protesters were arrested by the police for walking on the highway.
The group's spokesman, ANC MP Carl Niehaus, had urged hold-daymakers to drive past Shell sta-

Shell spokesman Pieter Cronje said: "We resent the fact that Shell is being singled out. This boycott is unfair and discriminatory."
The taxi industry's response was divided. The Lethabile Taxi Association supported the boycott, but the Greater Johannesburg Regional Taxi Forum ignored it.

APW 20/12/95 (183)

Costs may be offset by sliding oil price

Govt likely to slap extra 5c⁽¹⁸³⁾ onto petrol tax

BD 21/12/95

Mungo Soggot

SA MOTORISTS faced hefty increases in petrol tax next year as government sought to clamp down on excessive fuel consumption and siphon off more revenue from the country's fuel pumps, industry sources said yesterday.

Analysts and economists said SA's petrol tax was among the lowest in the world, and represented a captive revenue source

Transnet economist Mike Schussler said the tax was likely to go up 5c a litre next year — pushing the total revenue take from fuel to R10,5bn from this fiscal year's R9,6bn. Petrol pump prices would rise 6,2% to an average 195,7c. He assumed a 1,2% increase in the average crude oil price to \$16,99 a barrel.

But international consultancy Europe Energy Environment predicted the taxman would hit far harder.

"There is a realisation in government that SA's petrol is under-taxed and a foreign exchange gobbler," MD Humphrey Harrison said.

"If it (government) doesn't increase the tax substantially it will be flying in the face of a string of recommendations from international organisations which have observed that the low tax encourages the profligate use of a strategic commodity."

Other sources said government was also likely to increase the tax on petrol

in a bid to increase the differential with the diesel price. This would be coupled with efforts to promote the use of diesel in taxis, so diesel would become a "working" fuel and petrol a luxury. Schussler said diesel was likely to rise only 4% next year to about 183c a litre as its tax was unlikely to be raised.

He said government had already secured an extra R500m from the fuel price by slashing its handout to Sasol, so most of next year's tax increases would go to funding the introduction of unleaded petrol, which would be phased in at a discount.

SA's petrol tax was one of the lowest in the world at 34% — 62,5c on each litre sold. He predicted the tax would increase to 40% of the total price by the end of 1997 and 50% by 2000.

By the end of the decade, government would acquire about R18bn a year from the pumps, which would be about 10% of its total income.

Harrison said the tax increase would be spurred by fears about the effect of SA's oil import bill on the vulnerable balance of payments.

But he said there were arguments to suggest the oil price could slide significantly, which would offset the blow of higher taxes. Opec was finding it increasingly difficult to control its members, Iraq might return to the market and non-Opec countries were increasing production.

Experts to assess sulphur stockpile

CAPE TOWN — Experts had been asked to evaluate the commercial value of the Somerset West sulphur stockpile which caught fire at the weekend, with a view to selling it off, the trade and industry department said yesterday.

Acting director-general Gerrit Breyl said the stockpile belonged to the department but African Explosives and Chemical Industries (AECI) was responsible for its storage and safety measures.

He said the previous government 27 years ago began storing quantities of sulphur needed in chemical processes but the venture was terminated in 1988.

Edward West reports that damage inflicted on crops in Stellenbosch and Somerset West following a fire at the AECI-managed sulphur dump ran to "several millions of rands", according to first official assessments.

Agricultural insurance loss adjuster Robins Campbell & Williams, which has been hired by 13 farmers to draw up claims against AECI, said the worst-hit crops included lettuce, beetroot, carrots, pepper, strawberries and watermelon.

The company said that other farmers had also called on it for

help, and that it was currently formulating claims for crop rather than soil damage.

AECI said its insurance assessors were also surveying the damage, while agricultural experts from AECI subsidiary Kynoch were visiting affected farms and providing advice. AECI had comprehensive public liability insurance in place with local and overseas insurers. The Johannesburg-based CWB Loss Adjustors was acting for AECI's local and overseas public liability insurers, a spokesman said.

The decision to evaluate the Somerset West stockpile followed recommendations made by the joint operations committee which co-ordinated firefighting during a blaze which left two dead and forced the evacuation of nearby Macassar's 2 500 residents.

Committee spokesman Ferdie Mostert said "We would obviously discuss the matter with AECI and request that the heap should be isolated by removing any grass in the immediate vicinity."

"Our further suggestion would be that the heap be covered with sand so that it is not as susceptible to the elements as it was at the weekend," he said. — Sapa

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Costs may be offset by sliding oil price

Govt likely to slap extra 5c onto petrol tax

(183)

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"There is a realisation in government that SA's petrol is under-taxed and a foreign exchange gobbler," MD Humphrey Harrison said.

"If it (government) doesn't increase the tax substantially it will be flying in the face of a string of recommendations from international organisations which have observed that the low tax encourages the profligate use of a strategic commodity."

Other sources said government was also likely to increase the tax on petrol

in a bid to increase the differential with the diesel price. This would be coupled with efforts to promote the use of diesel in taxis, so diesel would become a "working" fuel and petrol a luxury. Schussler said diesel was likely to rise only 4% next year to about 183c a litre as its tax was unlikely to be raised.

He said government had already secured an extra R500m from the fuel price by slashing its handout to Sasol, so most of next year's tax increases would go to funding the introduction of unleaded petrol, which would be phased in at a discount

SA's petrol tax was one of the lowest in the world at 34% — 62,5c on each litre sold. He predicted the tax would increase to 40% of the total price by the end of 1997 and 50% by 2000

By the end of the decade, government would acquire about R18bn a year from the pumps, which would be about 10% of its total income

Harrison said the tax increase would be spurred by fears about the effect of SA's oil import bill on the vulnerable balance of payments

But he said there were arguments to suggest the oil price could slide significantly, which would offset the blow of higher taxes. Opec was finding it increasingly difficult to control its members, Iraq might return to the market and non-Opec countries were increasing production

Experts to assess sulphur stockpile

BD 21/12/95

(183) (58)

CAPE TOWN — Experts had been asked to evaluate the commercial value of the Somerset West sulphur stockpile which caught fire at the weekend, with a view to selling it off, the trade and industry department said yesterday.

Acting director-general Gerrit Breyl said the stockpile belonged to the department but African Explosives and Chemical Industries (AECI) was responsible for its storage and safety measures.

He said the previous government 27 years ago began storing quantities of sulphur needed in chemical processes but the venture was terminated in 1988.

Edward West reports that damage inflicted on crops in Stellenbosch and Somerset West following a fire at the AECI-managed sulphur dump ran to "several millions of rands", according to first official assessments.

Agricultural insurance loss adjuster Robins Campbell & Williams, which has been hired by 13 farmers to draw up claims against AECI, said the worst-hit crops included lettuce, beetroot, carrots, pepper, strawberries and watermelon.

The company said that other farmers had also called on it for

help, and that it was currently formulating claims for crop rather than soil damage.

AECI said its insurance assessors were also surveying the damage, while agricultural experts from AECI subsidiary Kynoch were visiting affected farms and providing advice. AECI had comprehensive public liability insurance in place with local and overseas insurers. The Johannesburg-based CWB Loss Adjustors was acting for AECI's local and overseas public liability insurers, a spokesman said.

The decision to evaluate the Somerset West stockpile followed recommendations made by the joint operations committee which co-ordinated firefighting during a blaze which left two dead and forced the evacuation of nearby Macassar's 2 500 residents.

Committee spokesman Ferdie Mostert said: "We would obviously discuss the matter with AECI and request that the heap should be isolated by removing any grass in the immediate vicinity."

"Our further suggestion would be that the heap be covered with sand so that it is not as susceptible to the elements as it was at the weekend," he said. — Sapa.

Shell sticks to planned route

BD 21/12/95

(183)

DESPITE massive international pressure put on Shell to pull out of a \$4bn liquefied natural gas project in Nigeria to protest against the government's poor human rights record, the company announced in Lagos at the weekend it has signed the final investment decision which commits it to the project.

The decision also saw the award of the liquefied natural gas plant engineering, procurement and construction contract to an international consortium comprised of Technip (France), Snamprogeth (Italy), Kellogs (US) and JGC (Japan).

President Nelson Mandela has been championing opposition to Shell's involvement in the project in the aftermath of the November 10 hanging of nine environmental activists. Not only is Shell going ahead, it also picked up an extra 1.6% stake from the 2% dropped by

the International Finance Corporation on the day of the hangings, thus raising its total stake to 25.6%, the second highest holding after the Nigerian government's 49%.

The remaining 0.4% has gone to Agip, raising its stake to 10.4% while the fourth partner, Elf, retains 15% holding.

Shell Nigeria MD Brian Anderson offered explanations for his company's move.

"We recognise there have been calls for the project to be halted as a gesture of political protest. We respect these views, and understand the concerns they reflect. But we cannot accept that this

DULUEMBACHU in Lagos

would contribute to the good of Nigeria," he said.

Instead, the project "will bring big and measurable benefits to the people of Nigeria, with a marked reduction in the need to flare gas, a major environmental problem which concerns both Shell and the environmentalists".

Anderson further argued that if the contract was not signed by the end of this year, "a complex and interdependent series of other contracts, including agreements for the

export of Nigerian gas, would have collapsed. This would have terminated the project with little hope of revival".

Shell appears to have been bolstered in its decision to go ahead with the project by the tacit support of western governments whose companies are involved.

On the matter, UK Prime Minister John Major had initially demurred, saying "Quite where Shell were with their plans, what obligations they have entered into and what the impact of any action would be, is something I do not know yet."

Nevertheless, the Anglo-Dutch interests in Shell have remained the

major constraining factor on the EU's consideration of oil sanctions against the Nigerian regime.

With the deal all signed up now, the construction of the plant will follow in the next four years at the mouth of the Niger Delta. A statement issued by the Nigerian LNG company said: "The contractors are obliged to follow strict regulations to ensure environmental impact protection."

Shell's interests in the project may even go beyond its 25.6% stake. It also maintains an interest in Kellogs, one of the partners in the TSKJ consortium, which has the most sophisticated liquefied natural gas technology in the world so far.

With Kellogs, Shell has built more than a dozen such plants around the world.

□ Mbachuis is a Nigerian journalist.

Mossgas studies

'incomplete'

(183) CT 21/12/95

BARRY STREEK,
POLITICAL STAFF

THE independent monitoring panel of experts had found that Mossgas and Central Energy Fund analyses of the situation in Mossgas were "incomplete in many important respects", Parliament's joint standing committee on public accounts said yesterday.

It also said that on available information "the government should not at this stage take a firm decision on any further investment".

The committee noted that its previous recommendations, going back to 1993, about investigations to show whether further investment in Mossgas was justified, had still not been properly addressed.

The experts had found the analyses incomplete in that the overall national interest had not been taken into account.



LUNG TEST: Michelle Rabie, 5, was one of scores of Macassar residents who underwent respiratory tests at the temporary trauma centre there yesterday. Conducting the test is Ms Mandy Vorster, a technologist in Groote Schuur's respiratory unit

PICTURE: ALAN TAYLOR

Racial barbs slung in post-fire row

STAFF REPORTERS

A RACIAL row has erupted over whether the evacuation and emergency care of Macassar residents was satisfactory

The head of the Joint Operations Committee, Mr Freddy Mostert, said at the Somerset West municipal offices yesterday morning "In my own opinion the operation was extremely successfully carried out with very few hitches"

But by the afternoon another press conference was called by community groups in Macassar, where the local mayor, Mr Sidney Kuhn, denied this, saying "It is unfortunate, but the community felt ousted by the whites."

Mr Kuhn said the community

felt that his council and Macassar's own authorities should have been notified when the disaster occurred instead of Somerset West's

He said community helpers who were providing coffee to the evacuees and who were quite prepared to do the rest of the catering felt that they were sidelined by Somerset West service organisations, the Lions and Rotarians, who asked them to leave

People were also aggrieved because not everyone received food parcels which were offered to evacuees by AECI on Saturday night, he said

However, Mr Kuhn and Mr Mostert were at one in expressing their gratitude for the assistance

rendered by businesses and institutions during the crisis

Meanwhile, ANC Western Cape leader Mr Chris Nissen has hit back at criticism of his rejection of soup and bread as the only food offered to evacuees

'Paternalistic'

He said many of the residents had shouted abuse at him and other helpers because they had received only soup and bread after several hours, even though they had seen shops in the area delivering tinned and other food to emergency centres

"I was merely relaying what people felt."

Mr Nissen said his criticism was

not because he was ungrateful

"Certainly everyone rallied around, and we appreciate it. But it is a very paternalistic white way of thinking that if you criticise, then you are ungrateful."

He said it was the result of a backward, white culture

"They think if they do something like this for our people it is the simply the best and must be accepted"

"I think that they must understand that we are not just people to be shunted around"

Mr Nissen praised the Muslim community of the Strand who had delivered 20 large pots of hot food

Macassar's mayor, Mr Sidney Kuhn, came to Mr Nissen's defence at a press conference yesterday

BRITAIN

Toxic threat to animals over

THE Somerset West Animal Welfare Society wants to reassure the residents of Macassar and the surrounding areas that the toxic sulphur dioxide fumes caused by the fire at the AECI's Somerset West plant on Saturday, no longer poses a threat to their pets

Spokeswoman Ms Glynis Courtides said that many concerned pet owners were still calling the welfare society with queries regarding the dangers of fallout

The Animal Welfare Society has also reminded the public to use good judgment when giving a pet as a gift, as each year the number of pets put down by animal welfare societies increases

Acid rain won't push up prices

VEGETABLE prices are not expected to increase from the "scorching" of fruit and vegetable crops after the acid rain caused by the fire at the AECI plant near Macassar, Pick 'n Pay director Mr David Smith said yesterday

He was responding to reports yesterday that claimed that fruit and vegetable prices were set to rocket shortly before the Christmas grocery shopping rush.

Mr Smith said that although some farmers may have suffered losses and would not be able to supply them with crops such as lettuce and spinach, they were buying from other areas and no price increases were planned

Too early to judge damage

KWV extension services manager Mr Jan Booysen said yesterday it would take another week before any possible damage to the grape crop by the fire at the AECI plant at the weekend showed up

Although some fruit and vegetable farmers in the Somerset West and Stellenbosch areas have reported crop damage as a result of the fallout from the fire, Mr Booysen said there were no signs yet that grape crops in the area had been affected

Staff Reporters, Sapa-Reuter

TOXIC CLOUD VICTIMS TREATED

Macassar hall turned into trauma centre

21/12/95

(234) (86) (183)

A SPECIALIST who heads the respiratory unit at Groote Schuur Hospital has established a trauma centre to assist victims of the AECI blaze. **ANEEZ SALIE** reports.

THE community hall at Macassar has been turned into a temporary trauma centre complete with doctors, technologists, a psychologist, a pharmacy, administrative staff and community volunteers.

It opened yesterday morning to assist the victims of the AECI sulphur stockpile fire that led to the evacuation of Macassar residents at the weekend.

It was a bustle of activity, but with none of the antagonism between staff and patients often found at established clinics. It was a joint, communal effort.

About 120 patients were attended to at the centre during the first hour.

The trauma centre was started by respiratory specialist Dr Neil White, who heads the respiratory unit at Groote Schuur Hospital, which seconded some of its staff to Macassar.

Dr White said: "When I heard about the disaster, I contacted AECI and asked if they needed

help from someone like me — a specialist in chest medicine who knows quite a lot about toxicology and occupational diseases. They said yes.

"And, as you can see, the community is also happy with us."

He said people coming to the centre were asked to complete a questionnaire about where they were when they were exposed to the smoke, how long they were exposed, whether or not they required any treatment at the time and exactly what they experienced.

Damage

"We also ask them whether they still have problems, and if they have chest problems, we conduct breathing tests that will show us if there is any suggestion of damage."

They were then examined for other problems — eyes, nose, throat and stomach — including psychological problems, which

were dealt with by a volunteer psychologist from private practice.

"We have three physicians who are seeing people, evaluating the results of the breathing tests, and prescribing appropriate treatment. We have a small pharmacy here for the sort of problems we expected to encounter," Dr White said.

The major complaints they had found were eye, nose, throat and chest irritations.

"Some people still have those problems, and we are particularly interested in the chest problems, because those are the sort one gets after toxic gas inhalation — the sort that worry one."

Dr White said the centre would remain in operation for as long as it was needed.

It was still too early to say if there was a pattern to the complaints. "We will produce a report on what we are doing here, but that will be only somewhere down the line," Dr White said.

"We would like to come back in a month's time to review the people we've seen and to whom we've given prescriptions, but we will only be able to say if there were any permanent effects in about three months' time."

Sulphur stockpile owned by govt

STAFF REPORTER

AMONG the major issues in the sulphur storage dump disaster were who owned the stockpile and whether there were any more AECI had claimed it belonged to the government, but precisely which department had not been clear — until now.

"The stockpile belongs to the Department of Trade and Industry," said its acting director-general Mr Gerrit Breyll in a press release

received yesterday, four days after the onset of the emergency.

Mr Breyll said the previous government had started storing sulphur, needed in chemical processes, 27 years ago, but the venture was terminated in 1988.

Originally, there were two stockpiles — one in Somerset West and one in Umbogintwini near Durban.

"The latter has been sold to AECI. Although the government is the owner of the Somerset West

site, AECI is responsible for storage and safety measures," he said.

Mr Breyll said experts had been asked to evaluate the commercial value of the Somerset West stockpile with a view to selling it.

He said there were no other stockpiles of chemicals.

● The head of the Macassar Crisis Committee, Mr Heindrich Magerman, says the community demanded the stockpile be removed immediately without any preconditions.

Plan to sell AECI sulphur stockpile

(183) (56)
Staff Reporter

ARG 21/12/95

THE Department of Trade and Industry says its now-depleted sulphur store in Somerset West is the only government-owned chemical stockpile in the country.

"There are no other stockpiles of chemicals," said the department's acting director-general, Gerrit Breyl.

Mr Breyl acknowledged his department's ownership of the stockpile — which burned with fatal results at the weekend — but said chemical company AECI "is responsible for storage and safety measures"

He said the department did own a second stockpile — at Umbogintwini near Durban — but had sold it to AECI.

The department had acquired the sulphur from the previous government which "commenced with the storage of quantities of sulphur needed in chemical processes 27 years ago, but the venture was terminated in 1988".

Extending the department's condolences to family and friends of the Williams brothers of Somerset West, who died when the sulphur caught fire, sending dangerous emissions into the air, Mr Breyl said experts had been requested to evaluate the commercial value of the sulphur with a view to selling it.

Meanwhile at a press conference earlier this week, AECI's top management acknowledged the company's sole responsibility for the safe-keeping of the sulphur.

"As the responsible custodians there is no way we will try to hide behind the fact that the state is the owner of the strategic stockpile."

● For inquiries regarding claims against AECI for medical expenses incurred during and following the fire, call ☎ 024 852 1125.

Drug discounting system to change

BD 22/12/95 (183)

Jacqueline Zaina

THE retail pharmacy industry plans to scrap its controversial discounting policy, conceding that the chaotic pricing structure has led to high medical costs.

The Pharmaceutical Society of SA said yesterday the current system — where individual pharmacists bump up prices to gain a profit and then offer a discount — had hit margins but failed to reduce medicine costs.

A new pricing system, proposed by the society's national executive committee, would remunerate pharmacists at the rate of about R120 an hour.

Society president Cecil Abramson said the fee would effectively remove the profit motive in the sale of prescription medicines, and redefine the pharmacist's role to include patient counselling and monitoring to justify the fee.

The system would cut medicine prices by increasing pricing transparency and contributing to the rational usage of drugs.

The move represents a major concession to government, which has criticised pharmacists for their profit-driven prescription policies.

Abramson said the new pricing would be based on a non-discriminatory exit price from the manufacturer, who would also be required to stop sampling to doctors.

At wholesale level, the markup of 21% would be reduced to 8-10%, to cover basic costs. The pa-

tient price would be the base price plus the distribution fee, pharmacist's holding and administrative costs, plus the professional fee.

Abramson said medical aids would pay the cost price of medicine as well as a 10-15% margin for the pharmacist's investment in stockholding.

Link Pharmacies CE Mike Dobson said the industry was seeking greater recognition for bulk purchases as part of submissions to government for a single exit price on drugs.

The Pharmaceutical Manufacturer's Association said it welcomed initiatives to bring down costs, but favoured pharmacy ownership deregulation to allow competition to determine prices.

CE Mirryena Deeb said manufacturers would rather face competition to supply at the right price than have to deal with government intervention.

She said it appeared that government proposals set out in its latest report, Towards a National Health System, had been influenced by the pharmacy industry's new pricing structure.

But she warned the report's main conclusions — extending the essential drug list to the private sector, price controls and mandatory generic substitution — would amount to nationalisation by stealth and push up drug prices in the public sector.

The proposals could threaten the 17 000 skilled jobs in the pharmaceutical industry.



REST IN PEACE: Led by family members and clergy, mourners bid farewell to brothers Ronald and Andrew Williams at their last resting place at the Strand Cemetery yesterday. **PICTURE: CLIVE S.**

1 000 AT BROTHERS' FUNERAL

Solidarity as fire victims buried

(183) ~~CT~~ CT 22/12/95

THERE was a show of solidarity at yesterday's funeral of two AECI fire victims. **ANEEZ SALIE** reports

IN one of the biggest funerals the Strand has seen, 1 000 mourners yesterday paid their last respects to the two Williams brothers who died on Saturday night when they were overcome by toxic sulphur fumes from the AECI fire

The NG Sendingkerk in the former coloured group area of the Strand overflowed as people across religious and class lines attended a service of almost two hours for Ronald, 47 and Andrew, 54.

There was no noticeable presence of their white neighbours. The only politician in attendance was ANC Western Cape leader Mr Chris Nissen. No political speeches were made.

A delegation from the Macassar Crises Committee, led by its head, local councillor Mr Heindrich Magerman, came to show solidarity. The structure was set up in the wake of the sulphur disaster.

A combined choir of the Methodist and Anglican churches sang the hymns at the funeral service, accompanied by the Methodists' brass band.

The band also led the funeral procession to the graveside against the backdrop of the majestic Helderberg.

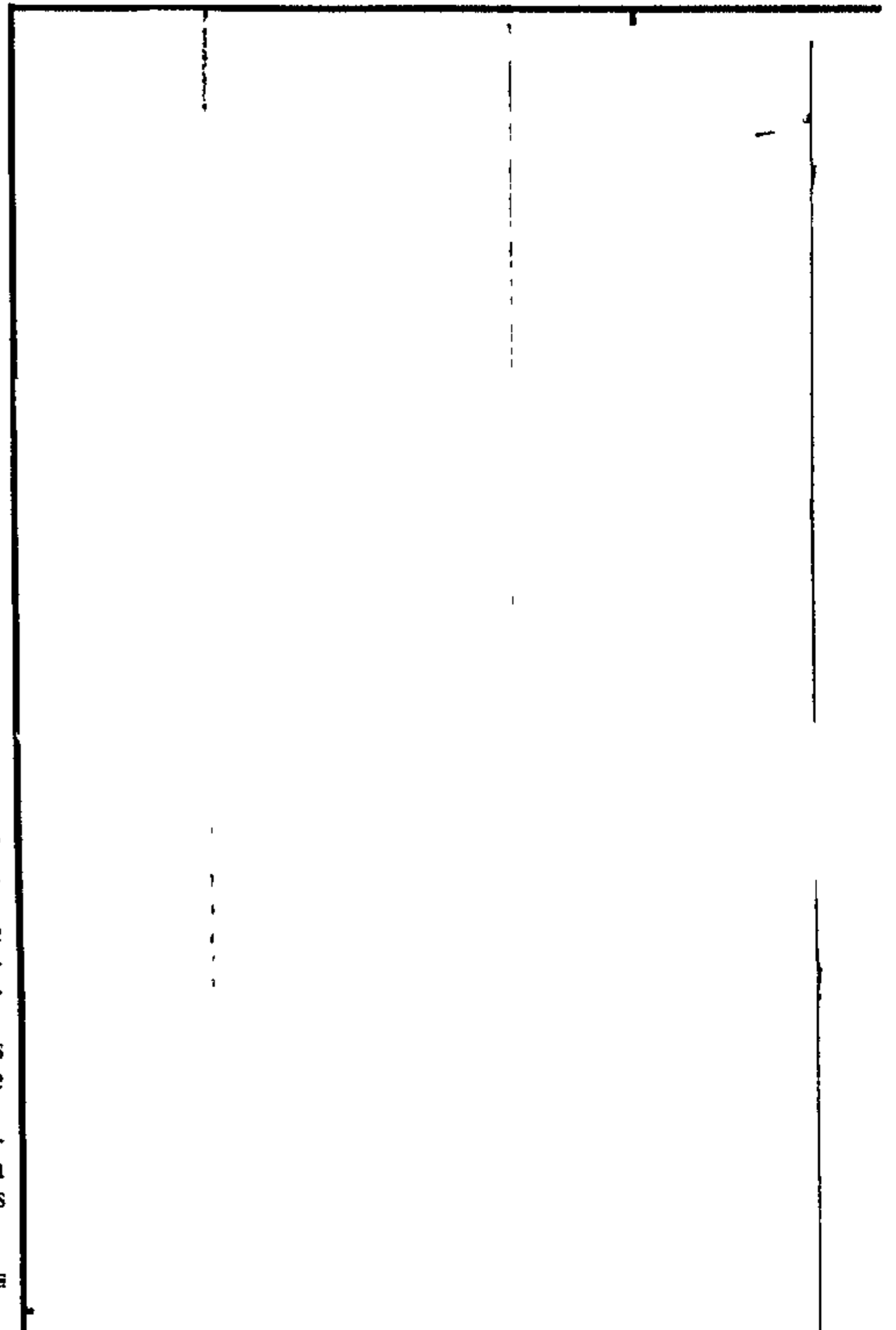
The Williams brothers died in the arms of their wives, Sandra and Audrey, while on their way to separate weddings.

Both had respiratory problems and were overcome by sulphuric oxide gas from the weekend fire at an open sulphur stockpile at the huge chemical plant, AECI.

The sulphuric gas and thick smoke from a bush fire later enveloped areas adjacent to Macassar, which led to the evacuation of many of its 35 000 inhabitants.

AECI has offered R25 000 to the Crises Committee, Mr Magerman revealed at the funeral.

He said the community would be consulted at a mass meeting for a mandate on the use of the grant and on all other issues relating to the disaster.



1 000 mourn sulphur-fire dead

ARG 22/12/95

Minister lays blame squarely on 'people who have abused others'

Staff Reporter

THE pain brought about by the death of Ronnie and Andrew Williams was caused by people who had abused the people of the Helderberg area for years, said Methodist priest the Rev Peter Grasso

He led the funeral service for the two brothers who died during last weekend's sulphur fire at the AECI factory in Somerset West

Ronnie, 48, and Andrew, 54, were buried side by side in the Strand cemetery after a service attended by more than 1 000 people, including AECI officials and Western Cape Environment Minister Kobus Meiring

Mr Grasso said many people had said to him during the past week that it must have been God's will to take Ronnie and Andrew away

"It is never the will of God that his children must suffer

"Our pain today was caused by people who abused our people for years."

He said the people of Macassar literally got *stank vir*

dank (stinking thanks)

He said that for AECI to merely apologise for the disaster was not enough and that for something good to come out of the disaster, the company had to become a part of the community and invest in community life

He said AECI had to follow the example of Ronnie and Andrew who did their bit to build a better community

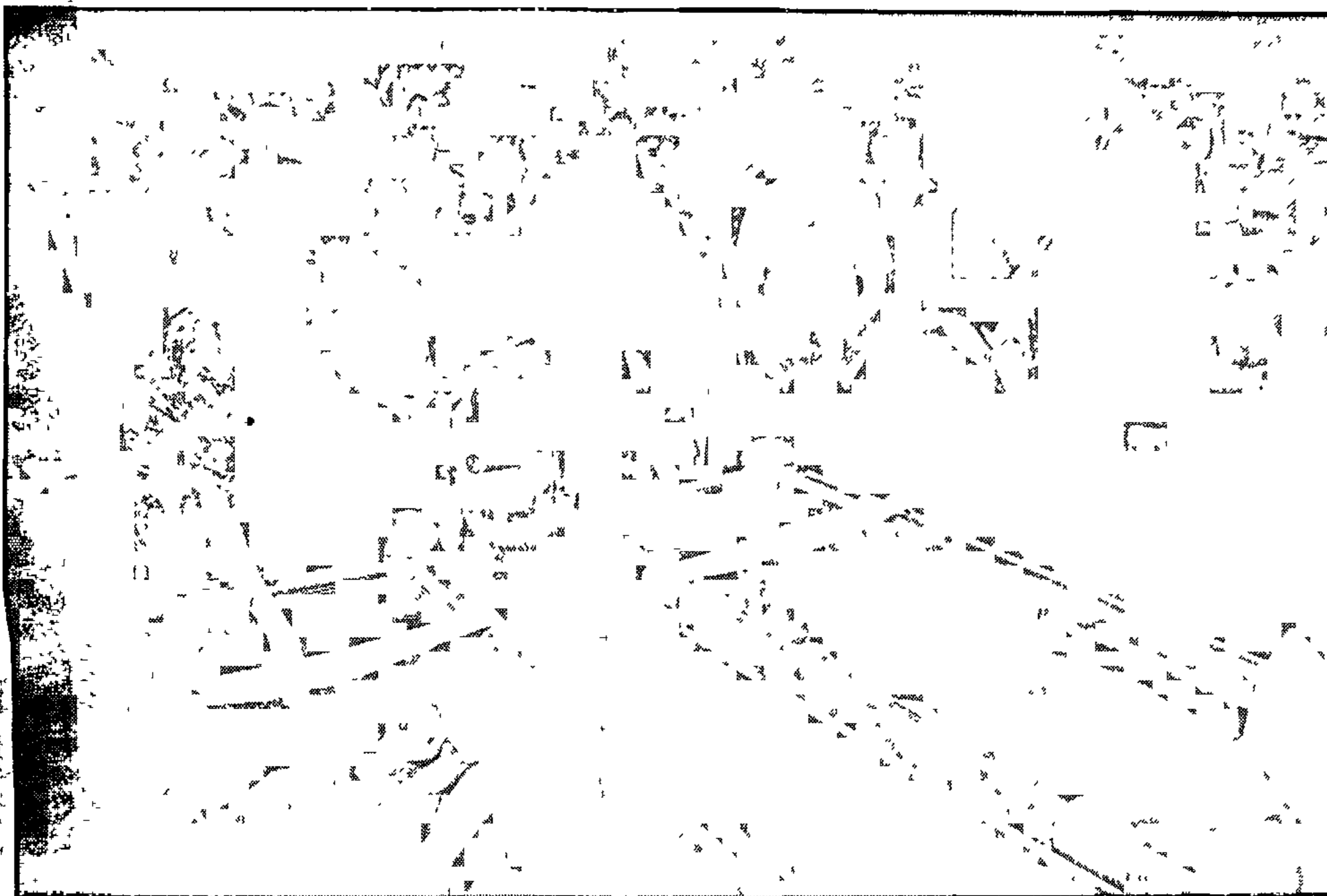
Mr Grasso also said the disaster showed it was far easier to collect chemicals than to get rid of them

"There needs to be a new sense of urgency to get rid of the chemicals of the old South Africa"

Father Ian Hall, paying tribute to Ronnie, said that, at times, he seemed to be withdrawn, but he was a man who felt a great deal for others, especially for his family

Andrew was a man of many loves, one of which was doves, said his friend of 20 years, the Rev Mark Arendse

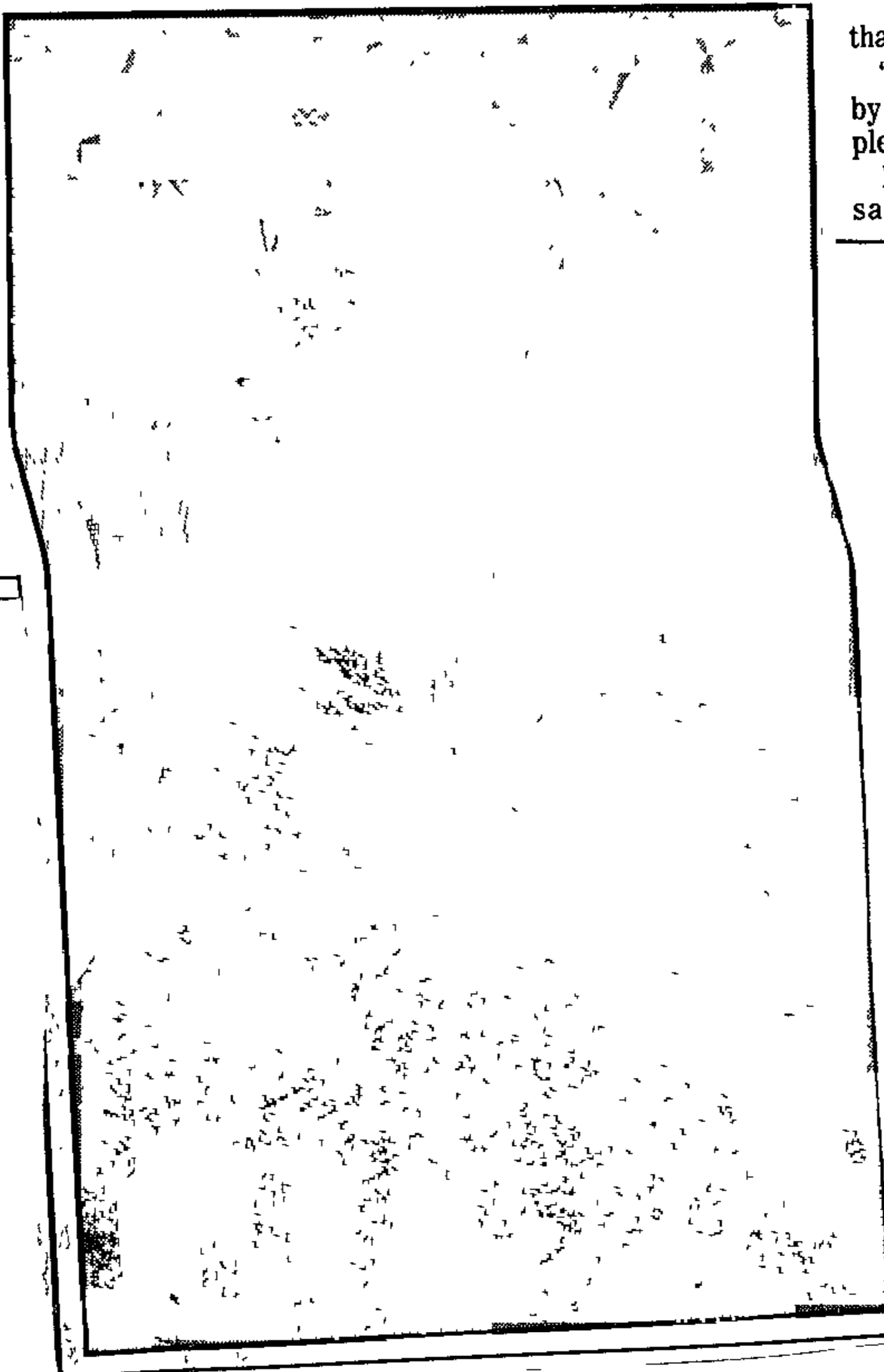
"I can just imagine how he wished to fly away like a dove from the gas that claimed his life



Pictures: PIETER MALAN, The Argus

SIDE BY SIDE: Ronnie and Andrew Williams, the brothers who died during last weekend's sulphur fire in Somerset West, were buried side by side at a funeral attended by more than 1 000 people at The Strand

COMFORTED: Ronnie Williams' wife Audrey, right, is comforted by son Bronwyn.



SALDANHA BAY (183)

Slick deal?

FM 22/12/95

Strategic Fuel Fund GM Kobus van Zyl is confident that the Saldanha Bay oil storage deal with the National Iranian Oil Corp will go ahead

But the project, he says, is still awaiting the outcome of an environmental impact assessment being undertaken by the Council for Scientific & Industrial Research

"Apart from the assessment, the other major outstanding issue is the finalisation of a trade agreement with the Iranians, allowing the fund to trade in the stored oil. If given the green light, this could earn us revenues of about R50m a year," says Van Zyl

But oil industry pundits are not entirely convinced that SA will end up dealing with the Iranians. "There are other options open to the fund. This thing has been dragging on so long I wouldn't be surprised if SA pulls back. The fund has other options which could be far more lucrative and viable," says a London source

This, he says, is despite the fact that SA has historically obtained about 70%-80% of its oil supplies from Iran. The other question mark hanging over the deal is the US trade embargo against Iran. "Implicit in any deal is the threat that the US Congress could still impose trade sanctions on countries trading with Iran"

Van Zyl says there will be no charge for storage at Saldanha. "Our real aim is to earn revenue from trading in the oil on behalf of its owners. Simultaneously, the ready availability of the stored oil will allow us to reduce our 56m barrel strategic oil stocks, earning additional revenues of about R750m for the fiscus," says Van Zyl.

Another benefit that may flow from the deal, say sources, is that the oil could serve as collateral for direct trade deals between the two countries — especially as Iran is cash-strapped due to the US embargo.

The result of the environmental assessment is expected by mid-1996 — and while the fund is expected to react responsibly to any environmental recommendations, it is also difficult to see what additional risks could flow from the proposed oil storage deal.

The CSIR says the six-tank facility has been fully operational since completion in 1982 — and the pipeline linking the tank farm with the Caltex Refinery was completed a few years later. The main fuel supply to Cape Town and the Western Cape is provided from the Saldanha facility

The Saldanha oil jetty, an extension of

the iron ore loading wharf, has mooring facilities for VLCC tankers transporting up to 300 000 t of oil and the harbour can accommodate ships with a maximum length of 333m and a draught of about 20,5m. Since 1980, the worst oil-spill, of 79 000l, was in September this year, following a rupture in a ballast tank. The spill was successfully tackled and there was no pollution of the bay's ecosystem. An amount of R22,6m has to date been set aside to finance pollution control. Between 1980 and September 1995, 463 fully laden tankers visited the Saldanha facility carrying about 854m barrels of oil.

For the purpose of the assessment, it is assumed that the annual level of tanker traffic to and from Saldanha will increase from the present level of 25 ships, to 50 ships within a year and 75 ships within two years (1997), says a CSIR background document.

The development alternatives being investigated by the fund and assessed by the CSIR include

□ Expansion of tanker traffic and oil transfer operations to within the capacity of existing facilities and support structures. These, theoretically, have the capacity to handle about 100 tankers a year. In practice, however, only about 80 tankers can be unloaded or loaded annually.

□ Doubling of transfer facilities at the oil jetty, and the construction of a second pipeline between the jetty and the tank farm. This would require dredging an access channel to permit tankers to berth against the eastern side of the jetty, and constructing a second pipeline to permit two berthed tankers to be serviced simultaneously.

□ Replacing the existing jetty facilities with an offshore single buoy mooring.

But, says Van Zyl, he doubts if a single buoy would be a practicable alternative, in view of the dangerous open sea conditions outside the harbour, with south-easterly gales in summer and north-westerlies in winter. ■

AFROX

Ready for foreign expansion ⁽¹⁸³⁾

FM 22/12/95

Activities: Manufactures and distributes gases and welding equipment, owns and operates hospitals and other healthcare facilities

Control: BOC Holdings 58%

CEO: R T Vice

Capital structure: 30,0m ords Market capitalisation R4,41bn

Share market: Price 14 700c Yields 1,9% on dividend, 3,4% on earnings, p e ratio, 29,2, cover, 1,8 12-month high, 15 500c, low, 9 500c Trading volume last quarter, 163 295 shares

Year to Sep 30	'92	'93	'94	'95
ST debt (Rm)	110,4	59,6	163,3	228,0
LT debt (Rm)	139,4	180,5	229,4	201,6
Debt equity ratio	0,34	0,29	0,49	0,44
Shareholders' interest	0,55	0,55	0,46	0,50
Int & leasing cover	6,1	7,0	5,8	4,9
Return on cap (%)	16,4	15,9	15,2	16,3
Turnover (Rm)	1 113	1 210	1 439	1 723
Pre-int profit (Rm)	217,0	227,4	256,9	311,1
Pre-int margin (%)	18,9	18,8	17,8	18,1
Earnings (c)	311	353	392	503
Dividends (c)	190	215	238	277
Net worth (c)	2 306	2 507	2 529	3 078

This is not the only company to have benefited from the normalisation of SA's international status. But Afrox's 1995 results — in particular those of the second half — suggest few have done so with more foresight or to better effect in terms of performance enhancement.

The 28% increase in inflation-adjusted earnings for the year to September 30 was well ahead of market expectations. This shows in the share price leap from R13 to a high of R15,50 after publication of the preliminary results in November.

Though the price has since moderated to R14,70, it's clear the share has been re-rated significantly in recognition of the opportunities which have now become available.



Vice Afrox ready to fulfil its role as a regional powerbase

amid the pursuit of regional and international expansion.

An important element is that Afrox's position in the UK's BOC Group has also been normalised and it can now fulfil its role as a regional powerbase.

Thus the adoption of the international BOC name and livery for the gas business comes as no surprise, nor does the takeover of management contracts for the BOC Gas companies in Zimbabwe and Kenya.

The decision to list in Namibia was also consistent with the enhanced role in sub-Saharan Africa, where growth should offset limited opportunities locally.

Afrox has been preparing. Over the past two years, it has undertaken the largest expansion programme in its history. It spent R460m on acquisitions, capacity expansion and replacement of fixed assets. In the second half of 1995, this started to pay off in higher margins and enhancement of earnings off an already high base.

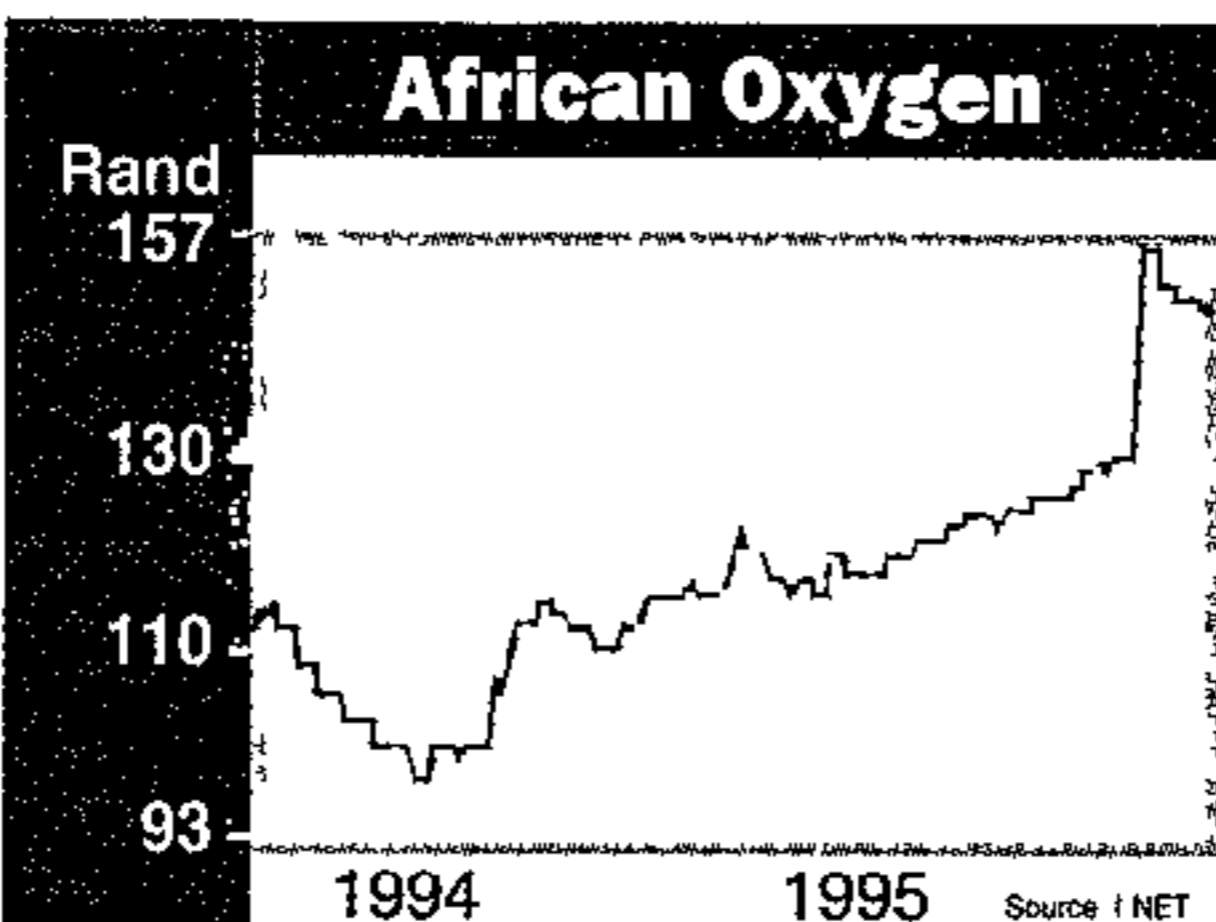
The earnings acceleration did not stem from increased sales. Turnover remained steady at the 19%-20% mark. The improvement in internal efficiencies was reflected in the 24% trading profit rise in the second half after a gain of only 10% in the first.

In both periods, trading profit gains were enhanced down the income statement by a lower tax rate, then an improved contribution from associates. The outcome was 38% earnings growth in the April-September period against 20% for the March half-year.

These better-than-expected results also had an impact on the balance sheet. With a corresponding enhancement to cash flow, external funding requirements were less than would otherwise have been the case and profit retentions were higher.

The result was that, proportionately, the continued increase in borrowings was smaller than the growth in the capital base, leading to a moderation of the debt equity ratio from 0,49 to 0,44.

The debt ratio is still high by historical



Afrox standards. But an interest cover of around five and a 22% gross return on capital employed indicate a comfortable financial position — and this is one of the few JSE companies to use an inflation-adjusted accounting system.

CEO Royden Vice is confident earnings will improve this year. An educated guess would be that, extending 1995's second half, results to March will remain buoyant, thereafter, a slowdown should occur if only because the improvement will be measured off a much higher base.

For the full year, a 20%-25% growth rate might be a reasonable expectation, especially if Afrox's role within the greater BOC Group develops as envisaged.

A forward p e ratio of around 23 might be heady relative to the industrial market where the current (historical) ratio is 16,4 but is sustainable if investors believe Afrox has embarked on another period of above-average growth.

A 10:1 share split will take place on February 1 next year. This could help to maintain the rating as it should relieve the problem of limited marketability and make the group more affordable to a wider spectrum of investors.

Brian Thompson

RANDGOLD

Showing new vigour

Activities: Mining house providing management services to marginal gold producers, also heavily involved in continental exploration

Control: Directors

Chairman: P H Flack

Capital structure: 38,04m ords Market capitalisation R478m

Share market: Price 1 600c Yields 0,6% on dividend, 3,8% on earnings, p e ratio, 26,3, cover, 6,1 12-month high 1 675c, low, 950c Trading volume last quarter 5 6m shares

Year to Sep 30	'93	'94	'95
Turnover (Rm)	50,5	59,6	75,5
Operating profit (Rm)	10,7	2,0	29,7
Attributable (Rm)	8,3	4,9	23,2
LT debt (Rm)	—	49,9	49,9
Shareholders' interest	0,75	0,72	0,92
Return on cap (%)	8,2	2,4	3,4
Earnings (c)	39	16,4	60,8
Dividends (c)	—	4	10
Tangible NAV (c)	829	1 557	1 257

So there is life after management agreements have been surrendered.

It has been a momentous year for mining house Randgold. Emerging Phoenix-like

Fire raises a legal fallout

(183) (5) ARC 23/12/95

GEOFF ELLIOTT
Business Reporter

SOUTH African industry could face a barrage of environmental litigation from workers and their communities under the new constitution, according to lawyers questioned this week in the wake of the AECI fire in Somerset West

Lawyers note the sulphur fire, in which two people died, along with the successful criminal proceedings last week against mining and construction group Fraser Alexander for the dam burst last year which killed 17 people, have served to sharpen the aware-

ness of the community to their rights

Peter Kantor, director of labour, environmental and constitutional law departments at Attorneys Herold Gie & Broadhead in Cape Town, said AECI could have a case to answer under the constitution's rules on the environment

The present Bill of Rights states that everyone has the right "to an environment that is not detrimental to his or health or well-being"

These rights have yet to be tested in the courts and it is unclear if they will apply only against the state and not individuals and corporations

But Mr Kantor noted it also emerged in the media last

week that the state owns the stockpile of sulphur which could open the door for a case against the state under the Bill of Rights

He also noted that if the families of the deceased are now without financial support because of the fire they could have grounds to sue for damages under common law

The sulphur-water sludge, created in fighting the fire, and which environmentalists are concerned could be seeping into the water supply, could also bring action from the Minister of Water Affairs and Forestry under the Water Act

The Act is very broad, stating the minister may seek to recover costs of rehabilitation

from "from any person who at any time did any thing on the land concerned which caused or contributed to pollution"

Then there are the complaints from the farmers who may claim for damages to their crops because of the alleged affects of acid rain following the sulphur blaze

AECI officials could not be reached for comment yesterday.

Meanwhile, others note the sometimes lax environmental standards in South Africa also have implications for foreign investment

Llewellyn Botha, a lawyer who runs The Environmental Law Consultancy, said corporations here have a lot of "catching up to do" with their international competitors

He added those wishing to strike joint-venture deals were finding that part of the negotiations turn on the environment

Foreign companies were demanding "environmental audits" designed to ensure there are no hidden environmental liabilities in which the foreign company might find itself liable for if it buys an operation

"South African companies doing international business have to wake-up, they need to reach the same environmental levels," said Mr Botha



□ **DEATH GAS:** A pall of sulphurous haze hangs in the air after the fire at an AECI

Dead men's families consider legal action

We were advised not to accept AECI money to pay for

Legal action is being considered by the families of the two Macassar brothers who died during the chemical blaze disaster last weekend.

GLYNNIS UNDERHILL
Staff Reporter

THE distraught family of the two Macassar brothers who died after inhaling toxic sulphur gas from a chemical fire in Somerset West has refused financial help for their funeral from AECI.

Craig Williams, son of Andrew Williams, 54, who had a severe asthmatic attack after inhaling the gas from the fire at chemical manufacturer AECI, said the family was considering legal action.

"The people from AECI were here two days ago and they did offer to pay for the funeral and all arrangements, but we were advised not to accept," he said.

His uncle, Ronald Williams, 47, also died after an asthma attack when a huge cloud of vapour from the blazing sulphur enveloped Macassar last weekend. The family would probably be taking joint legal advice, said Mr Williams.

The funeral of the two brothers, who died within 10 minutes of one another, was held on Thursday. It was one of the largest funerals the Strand has seen, with more than 1 000 mourners.

Mr Williams said his father Andrew was a travelling salesman who had only mild asthma.

"He certainly was not a sick man. The day he died he was very cheerful. We went from one wedding to another and he was more cheerful than ever. His death came as a great shock to us."

Mr Williams said it was



TRAGIC LOSS: A tearful Audrey Williams, wife of Ronald Williams, was comforted by her son Bronwyn.



BURIED TOGETHER: More

hoped to avoid a drawn-out court case and the family had not yet held discussions with AECI.

"We are hoping it does not come down to a lawsuit."

Mike Blizzard, group communications manager at AECI, said AECI had not held discussions about compensation for the families of the Williams brothers as this would have been "trespassing" on their grief.

"It would certainly be premature at this stage to be talking to the family about that sort of thing. We have visited to offer condolences on behalf of the organisation," he said.

Mr Blizzard said there was "no question" of the sulphur stockpile igniting again.

Sand and other materials had been placed on the periphery of the sulphur stockpile.

"The next thing clearly to do

is to render the dump totally safe. The best way to do that is to remove it. Discussions will be held with the government as soon as possible," he said.

Sulphur had not been used by AECI since manufacturing had ceased at Somerset West, said Mr Blizzard.

The stockpile was not owned by AECI and negotiations to have it moved would have to be held with the government, he said.

abuse of l

183
ARL 23/12/95

families action



Andrew Williams



Ronald Williams

to pay for funeral, says son

12/12/95

(183) (183)



Pictures: PIETER MALAN, Staff Photographers.

BRIED TOGETHER: More than 1 000 mourners attended the Strand funeral of brothers Ronald and Andrew Williams.

stally
at is
will

Pressure grows on US-based oil giants over roles in Nigeria

(201) (183) Stan 23/12/45

Washington - Public pressure has begun mounting on US-based oil companies - notably Mobil, Chevron and Shell Oil (as registered in the US) - to account for their activities in Nigeria, as well as their efforts to dissuade the military regime from human rights abuses

Nigeria operations account for about a quarter of Virginia-based Mobil's worldwide operations, while the San Francisco-based Chevron is the second largest oil operator in Nigeria after the Anglo-Dutch's Shell International

At least four groups of Mobil and Chevron shareholders have filed six resolutions with the US Securities and Exchange Commission over their Nigerian operations. The resolutions will be considered at the two companies' general meetings around April.

Shareholders include pension funds belonging to three trade unions: the International Brotherhood of Teamsters, the United Brotherhood of Carpenters and the Service Employees Union. The fourth shareholder is Franklin Research and Development Corporation, based in Boston, which manages about \$500-million on behalf of environmental, human rights and church organisations.

Private citizens, too, have been bombarding the Houston-based Shell Oil with inquiries regarding Shell International's

operations and "its close association" with military regimes in Nigeria.

The number of calls have been so great that the company set up a special Nigeria hotline, a company spokesman said.

The pressure is forcing Shell Oil to distance itself from its international affiliate. The Shell spokesman and a voice on the hotline insist that the US company does not operate in Nigeria. It offers to forward callers' messages to Shell International in London.

Strike-breakers

The shareholders' resolutions argue that Chevron and Mobil are widely associated with "the illegitimate" and "repressive" Abacha regime that hanged Ken Saro-Wiwa and eight fellow Ogoni activists last month.

The shareholders also complain that during last year's strike by oil workers (who demanded that the military transfer power to the winner of the 1993 election Moshood Abiola), "US oil companies, including Mobil and Chevron, flew in strike-breakers to keep oil flowing". The government, they charge, "subsequently arrested protesters and sentenced many to death".

The carpenters' resolution demands of Mobil a three-point report within three months of the AGM - Sapa-IPS

Farmers battle to count the cost of sulphur blaze

ST 24/12/95

(183)

By JESSICA BEZUIDENHOUT

FARMERS in the Somerset West district, near Cape Town, were this week still battling to rescue what is left of crops damaged by rain after a massive fire at a sulphur storage dump belonging to the chemical giant AECI last weekend

The fire left three people dead and scores injured. About 3 000 people were forced to flee their homes when thick fumes of acrid sulphur dioxide engulfed the town of Macassar and surrounding farms

The blaze caused thick clouds of sulphur dioxide which, mixed with the light rain that followed, formed sulphuric acid and burnt vast tracts of crops

A trauma centre set up in Macassar, staffed by doctors paid by AECI, has treated more than 500 people so far, many of them suffering from respiratory problems. AECI has undertaken to reimburse anyone who consulted a private doctor

Farmers were still trying to assess their losses late this week, with the help of independent assessors. Some farmers estimate damage to crops runs into hundreds of thousands of rands

Johannes Visser, of the farm Vorentoe, said the blow was much bigger than expected

"Some crops not initially affected are now beginning to show signs of ruin," he said. "At least 60 percent of my crop has been wiped out."

A spokesman for the winemakers KWV, Jan Booysen, said there was no sign grape crops in the area had been affected but it would take at least 10 days before damage showed up

"We have not had a situation like this before, so we do not know what to expect," he said

The owners of a number of large commercial and small farms said they were lodging insurance claims with AECI

AECI's group communications manager, Mike Blizzard, said the company has briefed claim assessors and agricultural experts to advise farmers on how to secure minimal loss and to get growth back into existing crops. Claims would be assessed early next year

Rand Merchant Bank to play role

Consultants to manage sale of Mossgas (183)

BD 28/12/95

Madden Cole

GOVERNMENT has appointed Rand Merchant Bank (RMB) as its financial consultant to test private sector interest in investing in Mossgas, bringing a decision on the controversial oil-from-gas project closer to finality.

Mineral and Energy Affairs Minister Pik Botha said yesterday that together with the finance and trade and industry ministers, he had also appointed international company Arthur D Little as technical consultants to help get the assessment of private sector interest in Mossgas under way.

The bank was selected in terms of strict criteria, including its ability to access international skills when required. "But Rand Merchant Bank can also call on the services of an international bank if it decides it is necessary," he said. SA was not an oil-producing country so it was necessary to appoint Arthur D Little, which had international technical expertise.

Botha said the move had brought a policy decision on the Mossel Bay gas fields a step closer, with the possibility of a final decision being taken before June next year. The consultants would manage the whole selling process, including the advertising and checking to decide which applicants were most suitable for government's needs.

Under consideration would be

straight cash buyers; those who would continue producing fuel and so save the country foreign exchange, or for instance a buyer who would redirect gas into downstream chemical production, further lengthening Mossgas's life.

"But there is no bottomline and we have given the consultants no strict instructions, except to say, go out and test the market."

Botha said development of Mossgas's satellite gas fields was a separate issue. With a lead time of 14-16 months before they would become operational, a decision on whether to develop them had to be taken by February.

Until now there had been conflicting opinions, but by testing the market potential buyers would inform government whether their development was an important factor in the purchase package. "So we should know roughly by February what the private sector's view on the satellite fields is. It is important to know as we must get our priorities right."

Department spokesman Roland Darroll said local companies as well as concerns in the UK, Germany, Malaysia and Taiwan had shown an interest in Mossgas.

He declined to put a price on the gas producer, saying it was a complex exercise as a cash payment was only one

Continued on Page 2

Mossgas (183)

Continued from Page 1
BD 28/12/95

of many factors. Mossgas could not simply be knocked down to the highest bidder. It was a major industry in the region and government could not walk away from it, Darroll said. The selling process had to be negotiated carefully to ensure the operation's continuity, and various options would be considered, including government taking a minority interest.

Botha said it was important that finality was being reached on one of his trickiest decisions. "It has taken months of hard debate and negotiations and I feel relieved that finality is

being reached."

Europe Energy Environment MD Humphrey Harrison, whose company acts as a consultant to sub-Saharan governments and companies, said the whole purpose of the exercise was "to buttonhole once and for all" who the interested parties were and to follow negotiations through with any potential buyers. "It could be that there would be several or no takers, but what has been launched is a systematic and professional way to allow the Cabinet to decide what is in the best interests of the country."

RMB spokesman Grant Stobart said last night the bank had been informed officially of the appointment only yesterday morning and it would be premature to comment at this stage.

GOVT CALLS IN US CONSULTANTS

Experts to advise on Mossgas

(183)

ET 28/12/1958

PRETORIA: Rand Merchant Bank and Arthur D Little, a US firm of petro-technical consultants, have been appointed to guide the government in marketing Mossgas and on whether it should develop satellite gas fields.

A SOUTH AFRICAN bank and a firm of international petro-chemical experts have been appointed by the government as consultants to assess the level of private sector interest in investing in Mossgas.

Minister of Energy Affairs Mr Pk Botha announced this yesterday after meeting representatives of Rand Merchant Bank and the Arthur D Little organisation, international technical consultants to

the petro-chemical industry and based in the United States.

The two are also to give the government advice on whether it should invest more money in developing satellite gas fields.

Their appointment was decided in consultation with Minister of Trade and Industry Mr Trevor Manuel and Minister of Finance Mr Chris Liebenberg.

Mr Botha briefed Mr Grant Stobart, assistant general manager of Rand Merchant Bank, and Mr Philip Hawley of the Arthur D Little organisation, in his office yesterday.

Mr Botha said it had been decided that an alliance between a South African bank, which could draw on overseas expertise when needed, and a technical expert would be the most effective team to perform the work.

"I briefed them at length on what was required of them and indicated that, at the same time as the process of testing the market continued, it was of urgent importance for the government to get an opinion on the advisability of further investment in the develop-

ment of the gas satellite fields," Mr Botha said.

Mr Stobart said it was "very exciting for Rand Merchant Bank to have been selected as financial advisers."

Yield

"We believe we provide an outstanding service to all our clients and we will bring our expertise to this transaction too, to maximise the yield to the government, which will not necessarily be entirely in financial terms."

Mr Stobart did not know how many other banks had been in the race, but said he was aware Rand

Merchant had not been alone.

Earlier this month the cabinet decided to appoint expert consultants to guide it in marketing Mossgas. It wanted consultants who had the resources to do the job within a limited time and the expertise to handle the project, assess Mossgas's assets and evaluate proposals from bidders.

It said the consultants also needed to have "a proper understanding and appreciation of the South African financial, business and socio-economic environment to be able to evaluate offers and identify the best option for the country as a whole" — Special Correspondent

Consultants appointed to test market for Mossgas (183)

JOHANNESBURG. — Rand Merchant Bank and the Arthur D Little organisation have been appointed by the government as market-testing consultants for Mossgas, Minister of Mineral and Energy Affairs Pik Botha has announced.

Mr Botha said Rand Merchant

ARG 28/12/93
Bank had been appointed as financial consultants and Arthur D Little as technical consultants

Cabinet decided on December 6 to test the market for private sector investors and agreed to appoint consultants — Sapa

Petrol price cut by one cent a litre

ARG 30/12/95 (183) (244)

THE price of all grades of petrol will fall by a cent a litre from this Wednesday, the Central Energy Fund said yesterday.

The price of diesel fuel will rise by five cents a litre and illuminating paraffin by nine cents.

The fund said in a statement the international prices of diesel and paraffin had been significantly higher during December. Also, the rand

had fallen against the dollar

"In the case of petrol, the full effect of the over-recovery that existed in the previous period was not passed through due to rounding

"This neutralised the effect of higher international product prices and the deterioration of the rand, resulting in an average over-recovery for the period under review — November 26 to December 26" — Sapa