

MANUFACTURING - CHEMICALS & PRODUCTS

1996

JANUARY - APRIL

MOSSGAS
On the block

(183)
FM 5/1/96

Inquiries from 43 companies representing 12 countries (including SA), have been received in connection with the acquisition of both the offshore and onshore facilities at Mossel Bay

Positive responses have been received from 35 companies, with each potential applicant showing an interest in different aspects of the gas-based synfuel operation.

Corporate inquiries have come from Italy, the US, Australia, Canada, the UK, Malaysia, Argentina, Norway, the Republic of China, Saudi Arabia and France

This news follows last week's announcement by Mineral & Energy Affairs Minister Pik Botha that government had appointed Rand Merchant Bank as its financial consultant to gauge private-sector interest after Cabinet decided to "take Mossgas to the market" Botha also announced



Botha

that international energy consultants Arthur D Little had been appointed as technical advisers

By developing the FA satellite fields and adding compression at a total cost of about R846m, the State's synfuel plant can still operate "profitably" for the next five years, while development of the EM gas field — at an undisclosed capex cost — would extend the plant's operations till 2005, says Mossgas business development manager David Day. And seismic tests on the new FO field could further extend the synfuel operations (*Business* December 8)

Currently, Mossgas synfuel production provides annualised forex savings of about R600m, based on refined fuel output of about 30 000 BPD.

According to Central Energy Fund's 1994/1995 annual report, "the company's operating surplus, without benefit of tariff protection or a synthetic fuel levy, was R38m better than budget, at R114m. This clearly demonstrates that, even without State assistance, Mossgas would be highly cash positive on a sunk-cost basis."

But, with the market being allowed to dictate further developments, private-sector proposals will now be assessed to see what the prospects are for the R12bn investment

Taiwanese petrochemical companies have expressed an interest in a possible conversion of the 45 000 BPD crude output gas refinery into a liquid refinery, based on imported feedstock. But they are waiting for the announcement of government's supply-side incentives package, says Republic of China Ambassador I-Cheng Loh.

Day says though the small size of the gas refinery — worldscale liquid refineries usually have a capacity of about 150 000 BPD — and distance from global markets might preclude further foreign interest in this aspect, a 45 000 BPD liquid refinery could, if coupled with petrochemicals and a worldscale cracker, make a lot of sense. "Capex conversion savings could be about a third of the cost of a greenfields liquid refinery of this size"

Other local proposals include building a R500m gas pipeline to the Western Cape (*Business* November 24) and a plan by chemical giants Sasol, AECI and Sentrachem to convert part of the onshore facilities into a US\$100m-\$125m brownfields methanol production plant (*Business* December 8)

Government's criteria for assessing the future of Mossgas will include job savings (or the creation of new jobs), balance of payments considerations and, obviously, getting whatever return it can on the exorbitant investment. ■

livers 400-450 cars a month and had the department not given the industry room to breathe, he would have had to find R34m upfront each month

"Because it intended to hold on to the cash for a month, I would have had to find

R68m just to stay in business until I could hope to get something back from the department"

The proposed regulations led to 485 cars from Japan that were to have landed in Durban in December being rerouted to Dar es

Salaam in Tanzania

Hauliers realise they have won a skirmish, not the war. Their trucks are still delayed three or four — sometimes 10 — days by administrative chaos on both sides of the border

HEALTH

FEATURE

Do generics bode ill for drug industry?

(183)
FM 5/1/96

Government's intention that generic drug substitutes be made mandatory in the public and private sectors may not be the most cost-effective option and may be therapeutically less effective

This concern has been raised by the National Association of Private Hospitals in its comment on the Health Department's latest policy proposals for a national health system

Pharmaceutical Research & Manufacturers of America, an important international voice in the pharmaceutical industry, has also joined the debate over government's regulatory approach to the marketing of drugs designed to introduce price control

The Health Department's report follows the Broomberg/Shisana report (released for comment in June last year) which had been commissioned by Health Minister Nkosazana Zuma in January 1995. The department's document differs from the Broomberg/Shisana report

In its reaction, the association says a study has indicated that generic substitution is economically and therapeutically justified in only 10% of chronic cases. It also raises its concern over the report's statement that, in secondary and tertiary hospitals, 80% of all drug expenditure should occur from generic drugs appearing on an essential drug list

"Since, by definition, generic drugs tend to represent old technology, we believe this objective may not be wise," says the association statement issued by executive director Anette van der Merwe

Concerns raised by it over the mandatory use of generic drugs and the introduction of the drug list coincide with warnings that government's regulatory plans could push the multibillion-rand pharmaceutical industry out of business, resulting in serious unemployment and disinvestment by multinational pharmaceutical giants (*Business* November 24)

In an important development, Pharmaceutical Research & Manufacturers of America says the international pharmaceu-

tical industry in SA views the proposed drug policy "with disappointment and considerable concern"

In a comment paper which the international industry has issued to top politicians and role players in SA, it says that despite the industry representatives' close co-operation with government to improve access to health care, including safe, effective and high quality pharmaceutical drugs at affordable prices, the government proposals have gone far beyond those in the earlier reports

"(It gives) the impression that government has chosen to ignore the legitimate concerns of the private sector

"At a time when the local economy is calling for foreign investment and the participation of the private sector to achieve national reconstruction and development, such disregard for the views of private companies bodes ill for SA's ability to retain and encourage the sort of private investment that generates economic development"

The proposals by government are tantamount to nationalisation, says the comment paper. Pharmaceutical industries in countries with government price controls have been shown to become less productive and less competitive than those in countries

that operate on free-market principles

The paper states that effective ways to manage the overall costs of medicines, which industry representatives and health-care consultants have outlined to government to curb the huge distortions in the prices people pay for medicines, have been ignored. Government "has chosen the unfortunate route of intimidation"

The paper says that in the same way as the industry agrees that doctors and patients should have the right to choose the generic version of a prescribed medicine, it supports the right of doctors and patients to not use generic medicines

The industry accepts that a properly defined and used essential drug list can be of use in a national health-care system. But

such a list should set out the minimum that should be available and not limit the physician's therapies. The industry supports the association's view that such a list limits access to care and has never been shown to be in the best interests of the patient

The paper says government's report, announced in December, which offered only 30 days for comment (over the holiday period), will send the wrong signal to the rest of the world

The mandatory use of the drug list in the private sector has also been condemned locally by the Pharmaceutical Manufacturers Association (PMA). Its CE, Mirryéna Deeb, says new therapeutic discoveries and developments are made regularly

"Limited lists delay and block the access to valuable new tools when and where needed and usually lag the state of medical knowledge," says Deeb. "New discoveries also tend to keep prices competitive in the long run as new drugs have to compete with existing ones for market share"

She says the PMA rejects the suggestion that the private sector "piggybacks" on government's tender-based acquisition process

"This would make the State the sole purchaser of all drugs here and probably undermine the cross-subsidy of public-sector prices by private-sector drug sales. As a result, public prices will rise to offset the drop in private-sector sales and nonessential drugs will become unaffordable and ultimately unavailable" Deeb's standpoint is reiterated by the American comment paper

Deeb says centrally selected lists tend to be administered slowly and the public procurement system has suffered from a lack of transparency, inefficiency and theft. Estimates are that about 40% of State medicines are lost to theft a year, says Deeb

The PMA believes the appropriate mix is a public essential drug list for defined patients, safeguarded by a system that will ensure new developments are quickly incorporated to benefit patients. Drugs on the list should be procured in an efficient and transparent manner and only for use by the State

The private sector should have the ability and freedom to determine schedules of benefits (with regulated standards of minimum care) in a private, competitive procurement, distribution and dispensing environment, says Deeb



Van der Merwe generics represent old technology

CHEMICAL INDUSTRY

Catalyst for success?

(183) PM 5/1/96

Government has called a top level meeting of all major players in the petrochemical industry in an attempt to thrash out new global competitiveness and investment strategies for the R75bn sector

Viewed against the background of SA's vital need to introduce a comprehensive set of tax incentives and supply-side measures to attract foreign investment, petroleum refiners, chemical feedstock manufacturers, plastics converters, chemical converters, the Central Energy Fund and representatives of organised labour will meet on January 23. The banking sector will also be represented at the forum.

Recent radically revised estimates of the size, scope and importance of the local industry have placed a R75bn turnover tag on the country's primary and secondary petrochemical and chemical industries. The figure includes the R25bn/year liquid fuels industry.

The Midrand meeting, to be addressed by London-based Chem Systems partner Terry le Roux, is a follow-on to last year's Taiwanese-funded investigation by the international chemical consulting firm into the industry.

The Chem Systems report, which found that SA required a comprehensive set of supply-side measures to attract foreign investors, also served as a first-time forum

for local industry players. This led to the Department of Trade & Industry initiative to keep the local players together — and devise a recipe for seeking solutions to old and emerging problems.

"The January 23 workshop, which will be opened by Trade & Industry Minister Trevor Manuel, will include all major role players in the industry. We will appoint selected teams to devise industry strategies. We also intend benchmarking our industry against major global players like Taiwan, so that we can see where our major challenges and our opportunities are," says Sasol group GM Jan Fourie.

Fourie says his group's individual talks with various Taiwanese groups, looking for possible joint venture investments in the local chemical industry, have made "very little progress," due to the lack of an investment incentives package in SA.

He says Sasol placed a number of proposals relating to the production and beneficiation of Sasol's world-competitive olefins and alpha-olefin feedstocks on the table — but without much success. "Our synfuel process, which degrades coal-sourced olefins into fuel, allows for the manufacture of these feedstocks more cheaply than the traditional cracker route used in the rest of the world."

But, while foreign investors are still hovering offstage, SA manufacturers have now decided to take the bull by the horns. And, says Le Roux, by getting all local stakeholders together on January 23, the informal industry forum can be formalised and industry problem areas tackled.

"For example, SA is one of only two countries in the world — the other is Canada — where feedstock production mainly takes place far from the coast and where the cost of getting product to the coast is a major inhibitor to global competitiveness. SA therefore needs a partnership approach, involving also the transport sector and other stakeholders, to see how co-operation can help to remove some of these cost hurdles."

Other issues that will be discussed at the forum include possible tax and other supply-side incentives, which are widely available in most economies to attract foreign investors.

But Sentrachem CE John Job cautions against making a distinction between foreign and local investors. "We need a level playing field — and one also needs to caution against the type of investment that cannot survive without State support. If incentives are considered as a policy option, these also need to be general, rather than project specific, excluding certain industry sectors."

Job says the SA industry, which is largely coal-based and located far from global markets, might also be better advised to focus on regional markets.

And, if the findings of a major, 366-page one-year study on the total chemical sector, now in the process of completion by a team of five experts led by Pretoria-based independent chemical industry consultant Henry Laing, are anything to go by, the local market for petrochemical products is bigger than previously thought.

"We have looked at the whole chemical pipeline and found that there might have been a 20% under-estimation of the industry's size and scope in SA alone. For example, in the case of the paints industry (regarded as the biggest users and buyers of chemical raw materials in SA), we found that total turnover was closer to R2bn a year — and similar anomalies exist in most of the 30 sectors we have studied," says Laing.

Laing estimates total direct feedstock sales at about R12bn a year and says if all the value-adding processes down the line are added up (including liquid fuel sales of about R25bn a year), total ex-factory sales values in the chemicals-based industries come to a total of about R60bn. "This excludes the sales of polymers and converted product which, if included in the total at ex-factory level, boils down to a further R9bn a year."

Whatever the correct totals, the local industry seems to be bigger than estimated before — and the January 23 meeting could be the catalyst for an even bigger future. ■

Drug firms object to health care proposals

CT(MR) 9/1/96

(183)

By BEN HIRSCHLER

Johannesburg — Local and international drug firms are up in arms over plans for a radical overhaul of South Africa's health care system which they fear will undermine the R5,5 billion-a-year industry, and may trigger disinvestment.

The minister of health, Nkosazana Zuma, argues that reforms, including controls on the sale and pricing of drugs, are needed. But drug industry officials claimed yesterday that her proposals, set out in a recent policy document and to come into effect on April 1, were tantamount to nationalisation.

A final draft of the plan is expected to go before cabinet shortly. If adopted, the proposals would

- Establish a committee to monitor and regulate drug prices,
- Create a national essential drug list, restricting the number of drugs available in the public sector, and eventually extending this to the private sector;
- Make substitution of generic drugs in place of brand-name products mandatory in both the public and private sectors; and
- Promote parallel importation



EMBATTLED The minister of health, Nkosazana Zuma

of medicines from outside South Africa, starting with high-volume essential drugs.

"All of these measures are of concern individually. In concert, they amount to the potential nationalisation of the industry," said Mirryena Deeb, the chief executive of the South African Pharmaceutical Manufacturers Association (PMA).

Deeb argued that experience elsewhere showed price controls were unworkable and ineffective, while limiting drugs to a restricted

formula was bad for patients and would hamper research.

Government officials have suggested cutting the number of medicines on the essential drug list from 3 000 at present to 500 or even 200.

Deeb said the PMA shared government's concern about rising health costs, but said the key to cutting drug prices was reform of the restricted pharmacy distribution system, which allowed for mark-ups of 100 percent.

It wants to see pharmacies deregulated, allowing the entry of price-competitive retailers, arguing that a similar move in the United States caused retail prices to fall 50 percent.

Most major American and European pharmaceutical companies are in the market, with international players Glaxo Wellcome and SmithKline Beecham holding market shares of 6 percent each. The largest single operator, with 15 percent, is CG Smith, which owns local manufacturer Adcock Ingram.

The Pharmaceutical Research and Manufacturers of America group warned that companies would think twice before investing in South Africa. — Reuters

Mossgas may get more funds

(183) CT (BE) 9/1/96
BY JOHN SODERLUND

Johannesburg — The planned sale of Mossgas had attracted inquiries from 43 companies in 12 different countries, the Central Energy Fund said yesterday.

But the government was still likely to approve a further R850 million investment to prolong the plant's life and to win time for negotiations about its sale, sources involved in the process said.

But the submission of official proposals from most of the information seekers was still some way off and the whole process would take about a year to wrap up, said the fund's business development manager, Dave Day.

The government has set itself the deadline of mid-February to decide whether to prolong the life of Mossgas. But the sale of the plant is expected to be finalised long after this decision is due.

Among the other options are the plant's closure, at a cost of R650 million, and its mothballing, which would cost an estimated R1,3 billion, according to Mineral and Energy Affairs Minister Pk Botha.

Roland Darroll, the media liaison officer for the mineral and energy affairs department, said factors such as employment, the effect on the region and the country's balance of payments would form part of the assessment of proposals. — Reuter

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Green Charcoal attracts investors

Edward West

~~(344)~~ ~~(345)~~ BD 9/11/96
A NEW company planning to export charcoal derived from invasive non-indigenous vegetation — Green Charcoal — has attracted investor interest from Ireland, the UK, Zimbabwe and the US.

MD Patrick Frampton said yesterday that the Industrial Development Corporation had been approached to help finance the venture with a R4m loan. The company planned a private placing of 202 ordinary shares at R1 each and an interest-bearing loan of R20 000 a share.

The private placement had so far been "reasonably successful" in spite of the company having to attract investors over the holiday period from December 22 to the January 12 cut-off date stipulated by the corporation.

Green Charcoal said it planned to produce 6 000 tons of charcoal and 2 100 tons of extrudate logs a year. Production was expected to begin in June once a plant had been built near Humansdorp and once shareholder approval had been given.

Frampton said Green Charcoal might have to establish its own alien vegetation plantations.

Sasol, Omnia merger rules laid down

Edward West

~~(182)~~ (183) BD 9/11/96
THE Competition Board has set down ground rules for the proposed merger of Sasol and Omnia Holdings' fertiliser and explosives interests

Board chairman Pierre Brookes said yesterday there would be no formal investigation into the merger but that the companies had undertaken to ensure other companies would not be prejudiced by the link-up.

"We spoke to a number of parties and there appeared to be a general acceptance that some sort of rationalisation in the industry was necessary," Brookes said

Since SA's market opened up to the

world, a number of international fertiliser companies had set up agencies in SA and one of the parties was likely to have gone out of business had the merger not taken place, he said

Sasol and Omnia recently cautioned shareholders that the deal was still being negotiated

Omnia MD Neville Crosse said the hurdle which the Competition Board might have presented appeared to have been crossed. However, negotiations were still under way, he said.

Omnia's share price was untraded at its 12-month high of R12 on the JSE yesterday after rising steadily from an 18-month low of 840c since the announcement of the merger

Pharmaceutical share gains hinge on govt health plan

BD 9/1/96

(183)

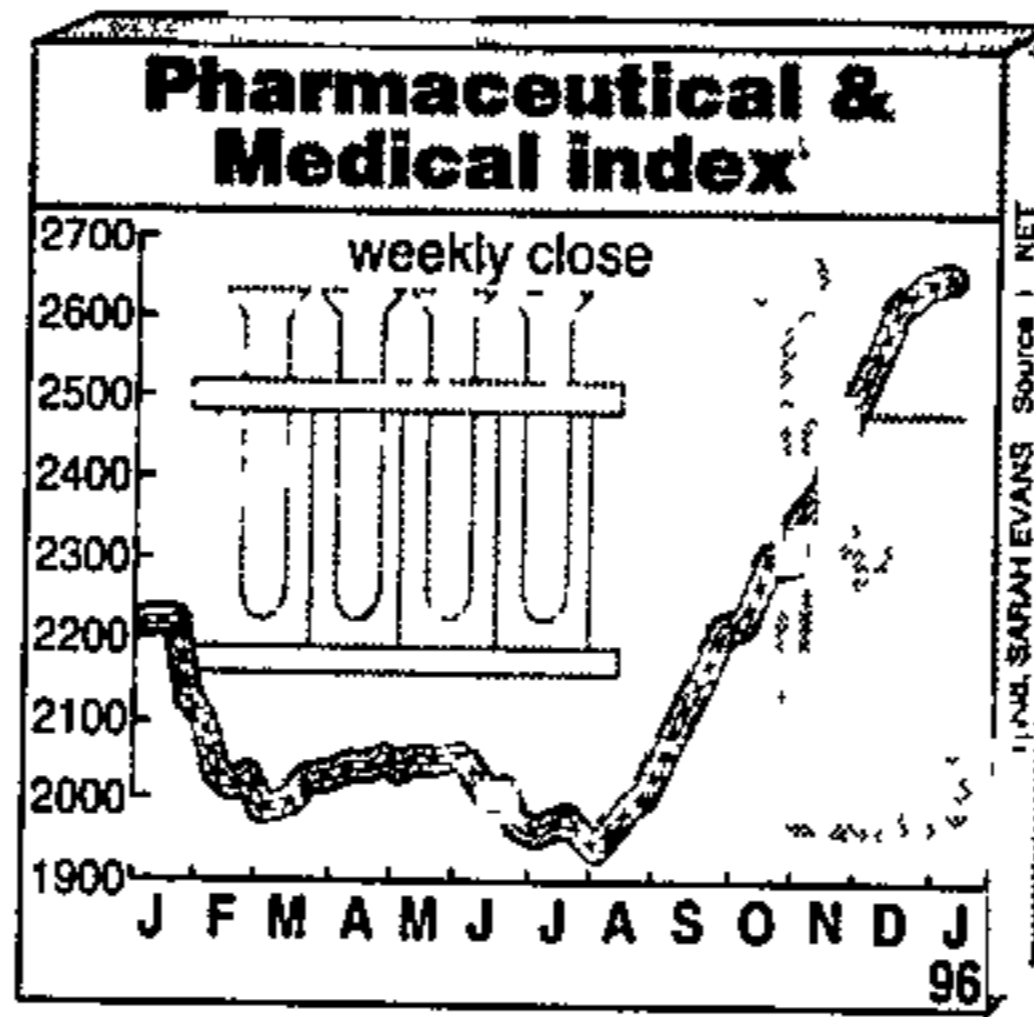
Jeanne Venter and Jacqueline Zaina

THE pharmaceutical and medical index surged 19,7% on the JSE last year, but share gains this year would depend on how government implemented the new health care plan, analysts said yesterday

The index closed at 2 663,2 points yesterday compared to 2 224,1 at the beginning of last year, having gained ground after the sector was rerated in the last quarter of last year. In comparison, the industrial index rose 18,4% last year

An analyst said the improvement in share prices was in keeping with the strong earnings growth achieved by major players Adecock Ingram, Premier Pharmaceuticals and SA Druggists.

Adecock Ingram group financial director Daryl Kronson said phar-



maceutical share prices internationally and in SA had been severely downrated between 1992 and 1994 amid fears of downward pressure on pricing with the introduction of managed health care

An analyst said SA government proposals, including mandatory generic substitution, did not bode well for local manufacturers

But issues such as generic substitution had been under discussion for the past three to four years, allowing SA companies sufficient time to reposition

Kronson said uncertainty about government's new health care plan had in the past resulted in pharmaceutical companies lagging behind other industries in share performance. But pharmaceutical shares had recovered dramatically as investors rediscovered their value, he said

Kronson said the repositioning of some companies in the sector had sharpened their focus on core business and contributed to earnings growth. The fact that medicine price inflation had been below general inflation levels over the past year meant manufacturers were minimising costs to ensure lower price increases in keeping with investor demands.

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Proposed drug controls slated

Star 9/1/96

(183) (ES)

New restrictions will amount to nationalisation, say industry representatives

Drug companies are up in arms over plans for a radical overhaul of South Africa's health care system which they fear will undermine the R5,5-billion-a-year industry and which may trigger disinvestment.

Health Minister Nkosazana Zuma argues that reforms, including controls on the sale and pricing of drugs, are needed to address the inequities of a system inherited from the apartheid era.

But industry officials representing local and international firms said yesterday that her proposals, scheduled to come into effect on April 1, were tantamount to nationalisation.

A final draft of the plan is expected to go before the Cabinet shortly. If adopted, the proposals would.

- Establish a committee to monitor and regulate drug prices
- Create a national essential-drug list, restricting the number of drugs available in the public sector, and eventually extending to

the private sector, probably sometime after 1998.

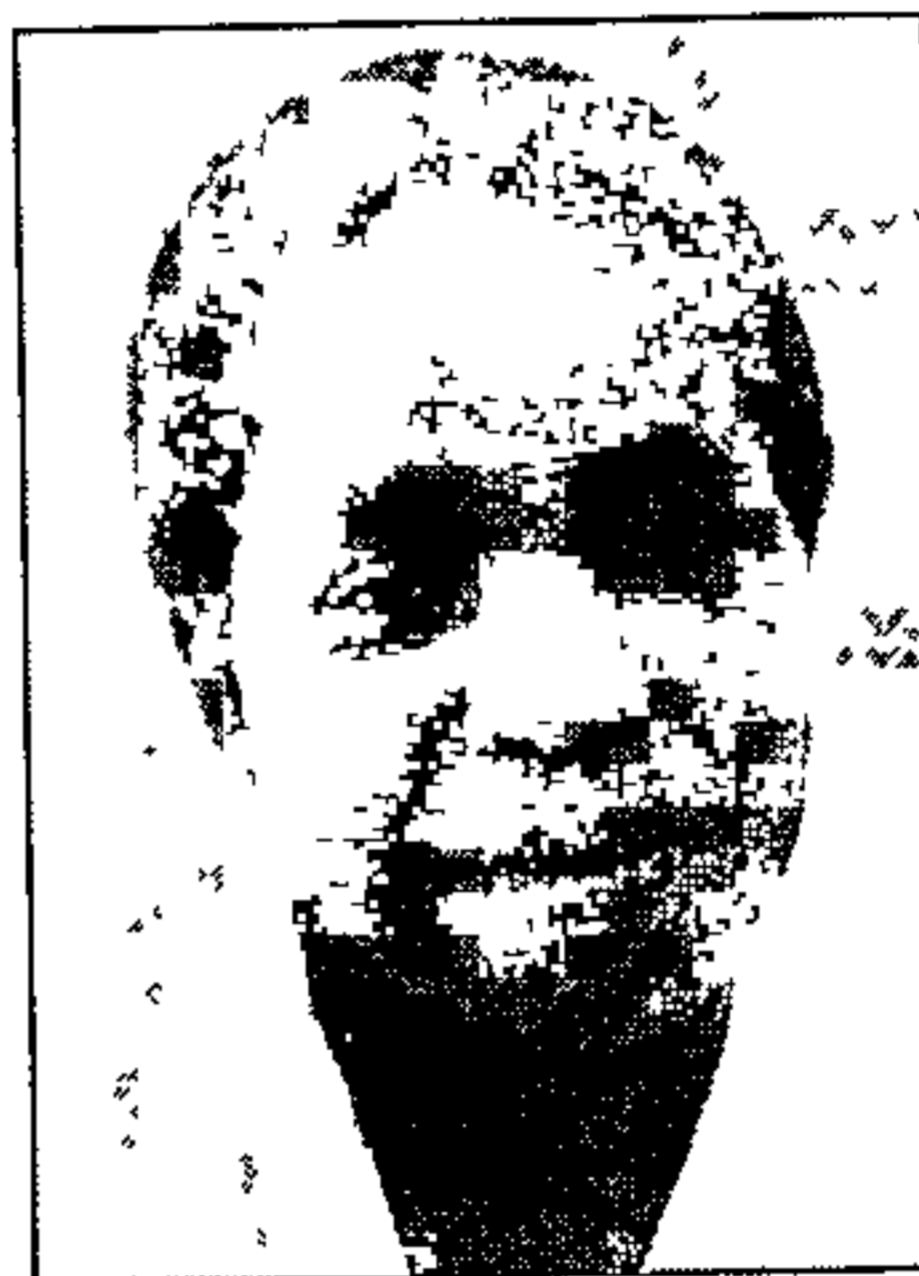
■ Make substitution of generic drugs in place of brand-name products mandatory in both the public and private sectors

■ Promote parallel importation of medicines from outside South Africa, starting with high-volume essential drugs

"All of these measures are of concern individually. In concert, they amount to the potential nationalisation of the industry," said Mirryena Deeb, chief executive of the South African Pharmaceutical Manufacturers' Association (PMA)

Deeb argued that experience elsewhere showed price controls were unworkable and ineffective, while limiting drugs to a restricted list was detrimental for patients and would choke off development of new remedies by companies.

Government officials have suggested cutting the number of essential medicines on offer to 500



Nkosazana Zuma ... wants to address inequities.

or even 200. An earlier commission of inquiry suggested the move could save about R500-million.

Deeb said the PMA shared the Government's concern about rising health costs, but that the key to cutting drug prices was reform of the restricted pharmacy distri-

bution system which allowed for markups of 100% between the factory and the patient.

Most major US and European pharmaceutical companies are present in the South African market, with leading international players Glaxo Wellcome plc and SmithKline Beecham plc both holding market shares of 6% each.

The largest single operator, with 15%, is C G Smith Ltd, which owns local manufacturer Adcock Ingram Ltd and Logos, the local agent for Merck and Co Inc.

The influential Pharmaceutical Research and Manufacturers of America group recently entered the fray, warning that drug-makers would now think twice before investing in SA.

"Such disregard for the views of private companies bodes ill for South Africa's ability to retain and encourage the sort of private investment that generates economic development," the organisation said in a statement - Reuters

Pharmaceutical regulation bid defended

Jaqueline Zaina

BO 11/1/96

183

GOVERNMENT could have a case for regulating the pharmaceutical industry with its history of discriminatory pricing and profit fixing, competition board chairman Pierre Brooks intimated yesterday.

The industry last month claimed government's proposals to regulate drug prices would contravene

competition policy. The board would make recommendations to government on the industry's behalf, but Brooks said it was generally accepted if market forces had failed to have the desired effect in a particular industry, regulation was justified.

The industry had behaved contrary to economic principles, with escalating prices despite high levels of competition in the pharmaceutical sector.

The industry lodged a complaint with the board concerning proposals contained in the government's health policy document, Towards a National Health System. The move followed fears that Health Minister Nkosazana Zuma would have proposals passed without further consultation with the major players.

The Pharmaceutical Manufacturer's Association, National Association of Pharmaceutical Manufacturers and SA Association of Pharmacists in Industry felt the proposals for price controls, generic substitution and extension of the drug list to the private sector amounted to nationalisation of the industry.

Mossgas: For sale or open for investment?

(183) M + G (M) 12-18/1/96

Pik Botha speaks openly to **Aspasia Karras** about the conundrum that is the latest Mossgas issue

MINISTER of Mineral and Energy Affairs, the old stalwart of the South African political theatre, Pik Botha openly concedes that Mossgas was a purely strategic investment that made absolutely no economic sense

In fact, so categorical is he that he wryly points out, "If this had happened in a private company, the board of directors would have been fired"

Barring the irony, the statement about one more apartheid white elephant, is illustrative of the current privatisation debate.

The gas into oil conversion plant doubled its projected costs, so even though the plant is now producing a cash profit, it will never manage to put a dent in the R11-billion that it eventually cost the state. This, however, is history

Botha concedes that he would never have taken that Cabinet decision again, the question that now prevails is, what to do with it, and who should do it?

A brief summary of the "conundrum", as Cabinet has characterised the issue, is difficult.

Mossgas and the Central Energy Fund (CEF) are pushing for an investment of R840-million in the Mossgas plant, in order to develop satellite fields and to introduce compression, from which they expect to yield a net income of about R2,5-billion in 26 months.

These figures have been challenged on the basis that the projected income was taking into account artificial elements, like tariff protection, and syn-fuel levy, which, in light of the deregulation and rationalisation of government involvement in liquid fuels, is falsely premised.

The monitoring committee has opposed this, although it is prepared to contemplate limited compression, and has demanded that a survey of the marketability of Mossgas be undertaken

The prospective buyer, or "invisible man", is being negotiated with the appointed consultants Rand Merchant Bank and international consultants Arthur D Little

Some of the prospective buyers



Pik Botha: 'Prize number one for me is to sell it'

include, a *troika* composed of Sasol, Sentrachem and AECI, who plan to convert Mossgas into methanol production, an elusive Taiwanese option that brings into focus South Africa's continued flirtation with the wrong part of China, Sasol, Gencor, and even a

recent suggestion from Deputy President Thabo Mbeki that Malaysia is willing to bid

The deadline for the consultants to make a judgment call is the end of February, and while Botha is reluctant to

estimate a price tag, what he does say is that a decision needs to be taken urgently on whether to invest, as the oil well is about to run dry

The projected 25-year supply has dwindled to a mere five which means that the elephant will lose even more investment appeal, if production stops altogether in 1997 and Mossgas loses its cash-positive position. A decision on whether to invest the R840-million is of dire necessity

The question needs to be asked: why should the government privatise if there is an option of relative profitability? Neil Morrison of Rand Merchant Bank states that "To proceed with privatisation or changing the role of the state, it must demonstrably lead to tangible benefits for the various stakeholders, in particular labour and the historically disadvantaged"

Wielding his double-edged sword, Botha is the first to concede that oil is one of those strategic trump cards for any country, and yet questions the rationale of state involvement in indus-

tries in which it has very little expertise, resources and skill

The much-slammed Moseneke report, as well as the upcoming Cosatu strike, bring the question into bold relief

In determining the country's long-term interests, the urgency of certain decisions takes on tragic proportions. Botha attempts to resolve the conundrum with a typical rough and ready, diplomatic answer, "Prize number one, for me is to sell it but also to negotiate that the new owner produces a new product, so as to continue to generate economic stability and development in that part of the country"

He is full of those grand Rhodes-like visions, for development, eloquently conjuring up images of the Southern African Power Pool agreement to develop the Zaire rapids, solar power projects to be facilitated by the CEF, and tourist attractions in the Soutpan.

But most evidently the question of what is really in the country's good still troubles him "Do you save on foreign exchange and earn income on fuel, or go for the jobsaving option that a conversion to methanol would provide? Perhaps a combination is more viable by retaining the state interest in part.

"The argument could also follow a different route, create long-term viability, but lose foreign exchange and suffer temporary job losses"

He is clear about electricity, though, "It is not in our interest to privatise, there needs to be centralisation, our status quo is a result of the fragmentation, there exist over 300 suppliers, and 2 000 tariffs, there is no clarity or security for potential investors. I have great faith in Dr Ian McRae (head of the National Electricity Forum) — he is a man of vision and imagination"

It is probably imagination that is needed in the question of privatisation. Morrison argues, "Government has to make the choice whether to squander the future as a competitive economy or to make hard adjustments right now. Policy matters, the decisions government makes, affects directly which shareholders benefit and which don't."

As to Mossgas, Rand Merchant Bank is still mum, arguing that it is premature to comment.

Botha, in a pithy allegory, sums it up by quoting a phrase that ex-Cabinet Minister Piet du Plessis has on his prison wall, "In die konsert van die leuwe is daar geen program nie" which Botha then slyly adapts to "In die konsert van Mossgas is daar geen program nie"

A man to keep you moving

(183) (18/12) MHC (PMM) 12-18/1/96

The new British Petroleum Southern African head, Fred Phaswana, has made corporate history. Lynda Loxton reports

FREDERICK PHASWANA, the new chairman and chief executive of British Petroleum Southern Africa (BPSA) and head of BP's 13-country Africa Division, is no cosmetic, affirmative action appointee, but a BP man through and through

This was borne out by the roar of approval that met the news of his appointment at the group's Cape Town offices from people he had worked with for more than 30 years

Not only is he the first South African to run the Southern African operation, but he is the first black man appointed to head one of BP's five regional divisions

The son of a tailor and a domestic worker, he was born in the Northern Transvaal town of Louis Trichardt in the heart of conservative white Afrikaners.

A bright pupil, Phaswana was sent to a Calvinist training college for primary school teachers at Bethesda near Pietersberg at the age of 13

On completing Form Two, he went on to another church-run school, Emmarentia High School to complete his school leaving certificate

But his stay at the school was prematurely halted when, three months before he was due to write his finals, he was expelled. The pupils had been protesting against the creation of the Republic of South Africa and some were woken up at two in the morning. Torches were shone in their faces and rifles poked in their ribs

"They were only doing their job," Phaswana said without any bitterness

"I wasn't hurt or anything like that. I was just rounded up with 10 others in my class, told to dress and put on a train back to Louis Trichardt

"They told me that I would not be able to write my finals, even to finish school at all, unless I joined the police or the civil service, of course"

But Phaswana had registered to write his finals and had an examination number, which was all the examiners needed. So he was sent to a school in a



Fred Phaswana: 'There is headroom for everyone to grow now'

PHOTOGRAPH RODGER BOSCH

rural area where he wrote his matric, obtaining a university exemption.

Because he was good at languages, Phaswana set his heart on a degree leading to a career in court interpreting. His brother agreed to help him finance his studies, but either forgot his promise or found it too difficult.

Anxious not to lose a good student, the University of the North contacted the then joint service company run by BP and Shell and arranged a bursary. The two companies set up in their own

right in 1974

He went on to study part-time for an Honours degree in energy economics through Unisa and for a Masters degree in Dutch literature through Rand Afrikaans University

In the meantime, he needed a job and went to the oil company saying "Listen here, you gave me a bursary, now give me a job." The company was somewhat taken aback, but agreed to take him on in its personnel department

"I hadn't a clue about BP, personnel

or anything else, so I asked what it was they did. When I gathered that they sat in an office and made plans for the chaps working at the bottom of the organisation, I said, 'Well, if that is what I am going to be doing, I think I had better go out there and work with the people on the ground. Then maybe I would become a better personnel officer'"

Phaswana rolled drums in depots and filled rail tank cars for some years but by 1973 he was a personnel officer and identified as a fast tracker. By 1988, he was appointed a general manager responsible for various portfolios

Phaswana was appointed to the board of BPSA in 1989, and in 1992 he became president of BP Nederland and BP Belgium, based in Amsterdam and Brussels

On the question of black advancement, Phaswana said that whites had little to fear from their black colleagues. Rather than complain about the lack of black skills, they should acknowledge that they themselves had been living in a restricted business environment

"In developing black staff, we have

perhaps not applied ourselves as hard as we should," Phaswana said

"It is a difficult problem, but we could have moved faster, more fundamentally. There is headroom for everyone to grow now and that is perhaps different from the past"

Phaswana takes over at a time when the South African oil industry is undergoing fundamental restructuring and he is under no illusions about the size of the task that faces him

After years of tight secrecy and government regulations covering virtually every aspect of the business, deregulation and a greater openness have become the order of the day

One of the most contentious issues in the industry is continued government subsidies to oil-from-coal producer Sasol. Even though these are being gradually scaled down, the fact that they continue to exist at all has been a bone of contention

"We in BP do not have a problem in investing in the new refining capacity the market will soon demand," Phaswana said. "The caveat is how you do this when the playing field, set by government essentially, is uneven"

'In developing black staff, we have perhaps not applied ourselves as hard as we should'

BROTHERS DIED IN SULPHUR CLOUD

Macassar family to sue AECI for R1m

MORE THAN 30 000 Macassar residents are expected to lay claims against chemical giant AECI after their suburb was enveloped in sulphur clouds last year. **CARON PETERSEN** and **EUNICE RIDER** report

(183) et 15/1/96
THE family of two brothers who died of respiratory problems when a sulphur cloud enveloped Macassar following a fire at the AECI plant will be suing the company for more than R1 million, the family attorney confirmed yesterday.

It also emerged that AECI had paid the family R15 000 just before Christmas as they were "out of pocket".

Former MP Mr Peter Mopp said the family of Mr Ronald and Mr Andrew Williams would be suing AECI for "in excess of R1 million".

He said actuaries were still calculating the particulars of the claim, and a breakdown of figures was not yet available.

The widow of Mr Ronald Williams, Mrs Audrey Williams,

told the Cape Times that she had accepted a cheque for R15 000 from AECI to tide her family over during the Christmas period.

But Mr Mopp, the former MP, insisted that this was "not a settlement as we are still going ahead with the civil suit".

Mr Bertie Humphries, general manager for AECI's operation services company in Somerset West, said that AECI had approached the Williams family with financial assistance because the Williams' "were out of pocket".

He said the R15 000 was a mutually agreed upon amount and also stressed that it was not an out-of-court settlement.

He said that the families of the two other people who died as a result of the toxic fallout, the late

Mr Andrew Williams and Ms Maria-Magdalene Tamboer, had not been not approached by AECI.

Meanwhile, the Macassar health centre, set up after the incident to offer the residents of Macassar medical aid and legal advice, is still being inundated with requests from residents requiring assistance following the December incident.

Mr Heindrich Magerman, a member of the Macassar Crisis Committee, said about 200 people were still visiting the centre daily.

"People are still filing compensation claims for damage and loss sustained as a result of the sulphur disaster," he said.

Mr George Liddle, the committee's chairman, said they were unable to estimate the amount of claims filed up till now.

But they were expecting around 30 000 claims, as they anticipated each resident would file one.

COMPANIES

Intershore joint venture in danger

Edward West

INTERSHORE, the offshore platform construction joint venture between Dorbyl, Murray & Roberts and UK engineering group Amec, was in jeopardy because government had failed to take into account long contract lead times when it began phasing out general export incentives.

Dorbyl CE Bill Cooper said yesterday the group was considering pulling out of the joint venture later this year on completion of Intershore's first and only contract — the building of two platforms for Chevron in Angola for about \$107m.

The contract was profitable but only

because of the incentive. "We have undertaken a 15-month international benchmarking exercise on ship-building which indicates that Intershore cannot compete against the Pacific Rim and former communist countries which are heavily subsidised by GATT-friendly input facilitative incentives."

The lead time on large engineering projects was 12-18 months. The incentive was due to be phased out by 1997 and government had made no progress on the promised suppside measures to replace the incentive. This meant that Intershore was unable to tender for any new contracts.

About 1 000 people are employed on the joint venture's current project.

Plastic prices on the road to recovery, say analysts

Mungo Soggot

⁽¹⁸³⁾
BA 18/1/96
THE meltdown in plastics prices had stopped and a gradual recovery was on the cards, but China's continuing clampdown on imports would prevent a return to last year's heady levels, analysts said yesterday.

Worldwide demand was unlikely to be strong enough to push prices to last year's heights — particularly if China, which had been a massive polymer user, maintained its restrictions on imports which it had put in place to tackle tax fraud.

China's move last year triggered a crash in world plastics prices, which savaged the share prices of local chemicals and plastics companies.

Among those badly hit in last year's price crash was Polfin, the recently listed R3bn-a-year plastics group with Sasol and AECI as major shareholders.

Polfin's finance director, Roger Crosby, said China had started buying again but not at the same aggressive levels as last year. He said all polymers appeared to have bottomed out, while

PVC was appreciating slightly more than the others.

Polfin's share price closed 20c firmer at 650c yesterday. It plummeted to an annual low of 500c on November 22 after hitting 850c in July.

One analyst said that although local and international plastics companies liked to say that China was returning to the market, it had nowhere near recovered its previous appetite. But need due to growth might later end the ban.

The Polypropylene price had last year risen as high as DM2 000 a ton, but it was unlikely to average more than about DM1 250 a ton this year, an analyst said.

Another analyst said further oil price increases would help, but a range of factors would probably prevent this.

Recent climbs were spurred by strong demand for heating fuels due to the harsh northern hemisphere winter. Once this seasonal factor had passed, prices would probably subside.

A lower oil price would, however, be good for polymer profits as it would cut feedstock prices.

By William Wells and Jack Lindstrom

Australian

HOW CAN I DON'T REMEMBER

Misery after the poison rain

ARG 13/1/96 (183)



have foreseen that many of his prized pumpkins would only grow to half their usual size after the leaves were scorched by the toxic vapour

"It should have been a nice vegetable crop of quality stuff. We planted five hectares more than last year. Christmas time is the time of the year when we make money and we must make provision for the winter. Now our overdraft account is still staying as it was — even though we were supposed to be in a better position this year," he said.

Farmer Peter Turton, who grows more than 15 flower varieties on his farm near Somerset West, is feeling as glum as his neighbours after many of his outdoor flowers were destroyed.

"There was no Christmas bonus that one looks towards getting and budgets for. When it doesn't come in, you are set back on your heels," he said.

■ Farmers who lost financially after a cloud of sulphur from the disastrous AECI fire in Somerset West damaged their crops faced misery over the festive season.

The piles of scorched and discarded vegetables scattered around his farm tell a dismal tale.

Like some other farmers in the area, he believes he has lost some customers who turned to other suppliers after the blaze on December 16 dispersed thick clouds of acrid sulphur over the farming area.

When mixed with the rain that followed the fire, the sulphur changed to form sulphurous acid and caused extensive damage to crops in the area.

"I have lost a couple of customers who have gone to other people. It is a difficult time for me and I am up to my limit in overdraft," said Mr Pickering.

This week AECI said its insurance adjusters had apparently not been approached by

any farmers with "particular cashflow problems". "Any such problems should be referred to AECI, which will endeavour to assist individual farmers," said Michael Blitzard of the AECI communications department.

All farmers who had claims had either been visited or spoken to, he said.

Damage claims have been lodged by 70 farmers, which included flower growers and smallholdings, and 25 nurseries, said Mr Blitzard.

Vegetable farmer Johannes Visser of Vorentoe Farm near Kuis River has estimated the damage to his crops from the sulphur fire could amount to around R550 000.

But not even an experienced farmer like Mr Visser could

GLYNNIS UNDERHILL Staff Reporter

CASH-strapped farmers whose crops were burnt by toxic fumes from a blazing sulphur stockpile at the AECI factory in Somerset West have hit hard times as they wait for compensation. It is feared some of the smaller produce farmers could go out of business if bridging finance is not provided while their claims are being processed.

Organic vegetable farmer Brian Pickering of Rust-en-Vrede said the devastation could not have come at a worse time. Orders for his produce piled up over Christmas, he said.

While others enjoyed the festive season, Mr Pickering faced a miserable Christmas, hiring extra helpers to uproot damaged crops and replant produce.

AECI sulphur blaze: Family begins legal action

GLYNNIS UNDERHILL Staff Reporter

THE family of a Macassar woman who died — allegedly from respiratory failure caused by the toxic vapour released from a blazing sulphur stockpile — are taking legal action against AECI.

Maria Tamboer, 55, died on December 28.

A spokesman for the law firm representing the family said Mrs Tamboer had medical treatment on December 17, the day after the disastrous sulphur gas enveloped Macassar during the blaze at the AECI storage dump in Somerset West.

Lawyer Johan van der Merwe said Mrs Tamboer had apparently died of respiratory failure.

"She inhaled the poisonous air and was given medical treatment. The following day she made a temporary recovery but was hospitalised on December 24 when her condition worsened," said Mr Van der Merwe.

The families of brothers Andrew Williams, 54, and Ronnie Williams, 47, who died when the sulphur gas enveloped Macassar, will also be taking legal action against AECI.

More than 200 residents claiming respiratory problems

were treated in one morning at a temporary medical clinic set up in Macassar this week, according to Heinrich Mägerman of the Macassar Crisis Committee.

"People are still complaining of respiratory and asthmatic conditions. There is a great demand for treatment," he said.

The sulphur gas cloud from the blaze in Somerset West forced Macassar's 2 500 residents to evacuate on December 16.

A medical unit operating at the Macassar community centre before Christmas was closed between Christmas and New Year.

Pictures: ROY WIGLEY
Staff Photographer

□ **FIRE AFTERMATH:** Organic vegetable farmer Brian Pickering (above) spent the festive season pulling up damaged crops and replanting

□ **HALF-SIZE:** Farmer Johannes Visser says his prize pumpkins have not grown to size as a result of the sulphur fire



COMPANIES

Uncertainty curbs fuel refinery expansion

Mungo Soggot

BO 19/1/96 (183)
UNCERTAINTY about the fate of Mossgas, government's role in the fuel retail industry and the success of unleaded petrol were hampering plans for the expansion of SA's fuel refineries, Sapref MD Peter Fransen said yesterday.

Fransen said Sapref — jointly owned by Shell and BP — was close to finishing a study into how it saw itself by the year 2015. This would include proposals to beef up capacity by 2000 at the latest, which was when SA's current surplus of capacity was due to run out.

By mid-year, Sapref's shareholders should decide on whether to go ahead with exploring the feasibility of the first expansion phase.

He said Mossgas's 30 000 barrel-a-day output was significant as a factor in planning SA's future refining needs as there was a chance the plant would be converted to a chemical factory.

The enthusiasm with which SA motorists bought unleaded petrol, on sale next month, would also affect plans because of the technical requirements linked to making unleaded fuel.

Fransen said Durban-based Sapref was probably best positioned to expand because of its proximity to the main growth market and a harbour.

SA's current capacity is about 650 000 barrels, including synthetic fuels capacity from Mossgas and Sasol. Although there is currently a surplus, industry analysts expect growth in demand to force an expansion in refining capacity by 2000.

Industry analysts have said the growth in demand for fuel means SA will need another 150 000 barrels capacity before 2000, and have expressed fear about oil companies' reluctance to start expansion plans.

Lead-times

FM 19/1/96

The long-awaited introduction of unleaded fuel is due to take place from February 1 — leading to the phasing out of 87 octane petrol inland and of 93 octane at the coast.

Industry officials say unleaded fuel will be priced at 4c/l below leaded petrol and will be sold at the old 87 octane pumps inland and 93 octane pumps at the coast. Leaded petrol will remain freely available for at least the next 10-15 years.

Initially, unleaded petrol will go on sale only in main urban areas and regions near big fuel depots. The next three months will be a phase-in period, after which unleaded petrol will be available nationwide, with 87 octane and 93 octane removed from the market.

The lower unleaded fuel price is the result of government fuel taxes being reduced to below that of leaded petrol — despite the 2c/l higher costs of producing unleaded fuel. This is intended to create a 15%-25% market penetration by unleaded petrol in the first year, making the transition economically worthwhile for the oil industry. After this, leaded and unleaded petrol prices will be equalised.

The introduction of unleaded petrol will enable SA vehicle manufacturers to introduce the same unleaded vehicle technologies as those operating in Europe, the US and Japan. Industry officials say this will reduce vehicle production costs as engine technologies would be brought on par with the rest of the world, with import and export opportunities enhanced.

“Government’s assistance with the introduction of unleaded petrol will bring about substantial growth opportunities for the motor industry,” says a spokesman.

Benefits for the oil industry are expected to be longer-term. The change to unleaded petrol will prevent refineries from becoming outdated and isolated from international technologies. “About R270m has been invested in refineries so far. The oil industry must provide what is demanded by the market and that includes unleaded fuel,” says SA Petroleum Industry Association director Colin McClelland.

Most cars built after 1985 should be able to use the new petrol, with minor modifications to ignition systems. An estimated 65% of local vehicles are compatible with unleaded fuel, without any alterations. Industry spokesmen say the alterations, if necessary, will cost R50-R100 and essentially involve retarding the ignition timing.

Owners of new vehicles will benefit most as reduced fuel consumption is most effective in modern cars. Consumption performance may, however, be reduced in cars that have to be adjusted, depending on driving behaviour and maintenance. But these cars may still be able to save on petrol costs because of the lower price. ■

Botanic Garden tox

■ Stellenbosch University's plant research projects, continue to be affected by the toxic fumes from the sulphur fire at AECI's plant in Somerset West.

GLYNNIS UNDERHILL
Staff Reporter

THE cloud of sulphur from the disastrous AECI fire in Somerset West has brought misery to researchers at Stellenbosch University's Botanical Garden

As 400 visiting experts from around the world gathered at the Stellenbosch garden — the oldest university garden in Southern Africa — for an international congress on man and plants, dead leaves were still being removed from affected plants

The only damper on this grand occasion organised by the South African Association of Botanists was the damage the plants used for research and teaching have suffered from the fall-out of sulphur dioxide

Three people are alleged to have died from respiratory problems caused by the toxic vapour released from a blazing sulphur stockpile on December 16 last year. Damage claims have been lodged by 70 farmers, which included flower growers, smallholdings and 25 nurseries

The senior curator of Stellenbosch University's Botanical Garden, Wim Tijmens, said he was still assessing the damage as leaves continued to wilt and die. Damage was expected to amount to hundreds of thousands of rands, he said

"Our Botanical Garden is of world renown through its research publications and attracts scientists and plant lovers from abroad. The gardens are open to the general public while schools and other groups make visits by appointment

"During 1995 the Hortus Botanicus received more than 15 000 visitors. It is the only garden where one can view indigenous as well as non-indigenous plants"

Mr Tijmens, a landscape artist, said the garden's research programmes and the plant material used for the teaching of botanical sciences had been badly affected by the

sulphur cloud

"Our staff has worked very hard to bring the garden up to international standards. This is no longer the case due to the chemical disaster, as the leaves of many plants have already died or are in the process of doing so," he said

The impression of the visiting experts would be disappointing and research programmes will be delayed, said Mr Tijmens

Class material will have to be replaced and the oldest and most valuable trees in the Bonsai collection are visibly wilting, browned branches drooping

Saturday Argus was taken on a tour of the treasured garden by Mr Tijmens. The needles of the Bonsai Cedrus species had turned brown and were drooping

The same damage was done to the once magnificent fern trees, said Mr Tijmens

The roses in the rose garden, herbs in the herb garden and a redwood tree have all been similarly affected

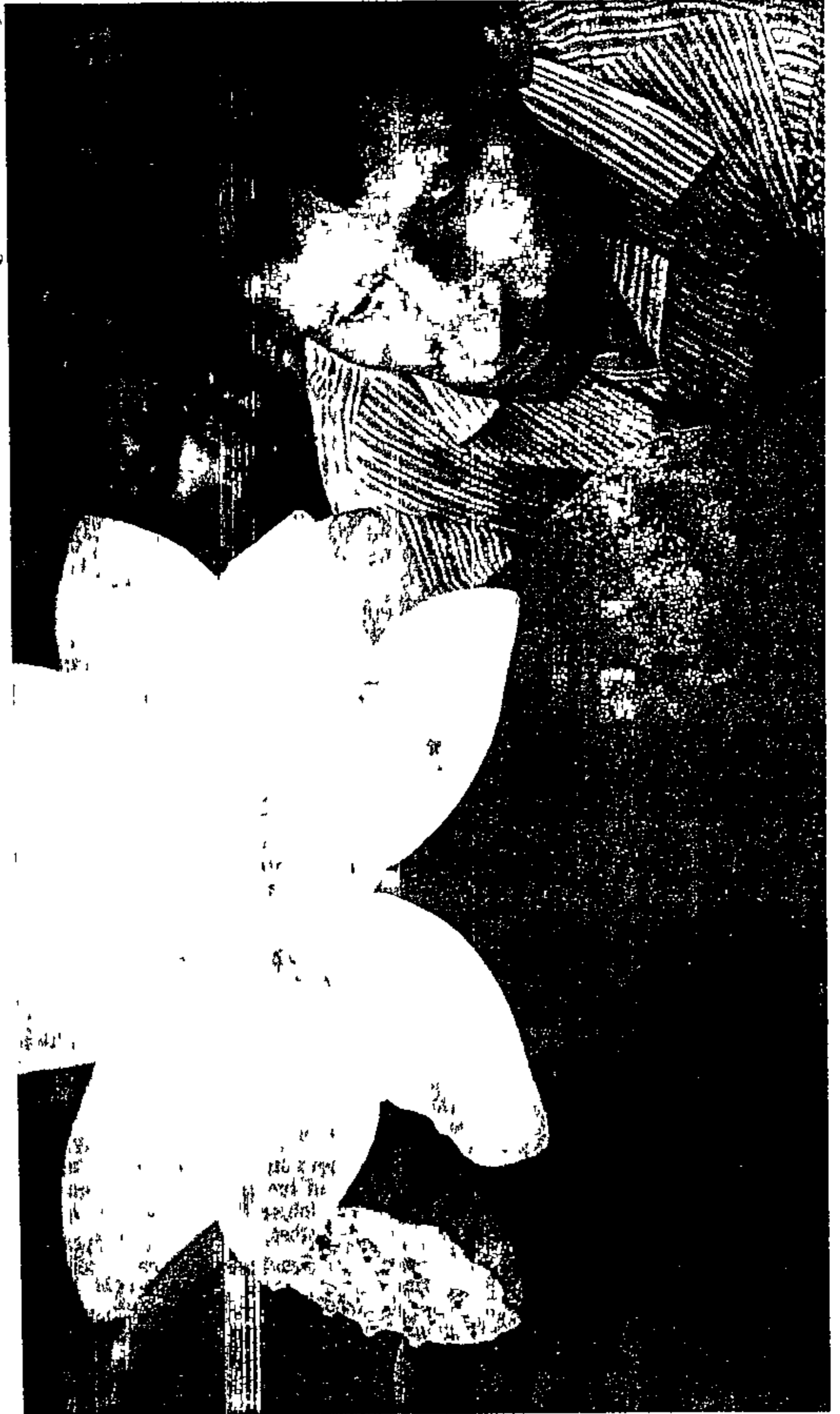
Research programmes have been badly set back and the collection of 210 Pelargonium species, commonly known as geraniums, continues to suffer the effects of the poisonous sulphur and dead leaves have to be removed constantly

Another long-term research project is the research on the Oenothera species, known as Evening Primrose, on which field trials and chemical analyses had been completed

Mr Tijmens pointed out the flowering Evening Primrose collection which was the result of 10 years of research

"Continued trials of five species, selected out of the original 45, are now so badly damaged that the evaluation programme for this year cannot be objective, which brings financial implications and delays with international medical research programmes," he said

AECI has sent an insurance adjuster to inspect the damage at Stellenbosch University's botanical gardens



Pictures: ANDREW INGRA

□ **LOTUS PLANT** Senior curator Wim Tijmens watches the glorious Easter how it has been affected by vapour from sulphur fire



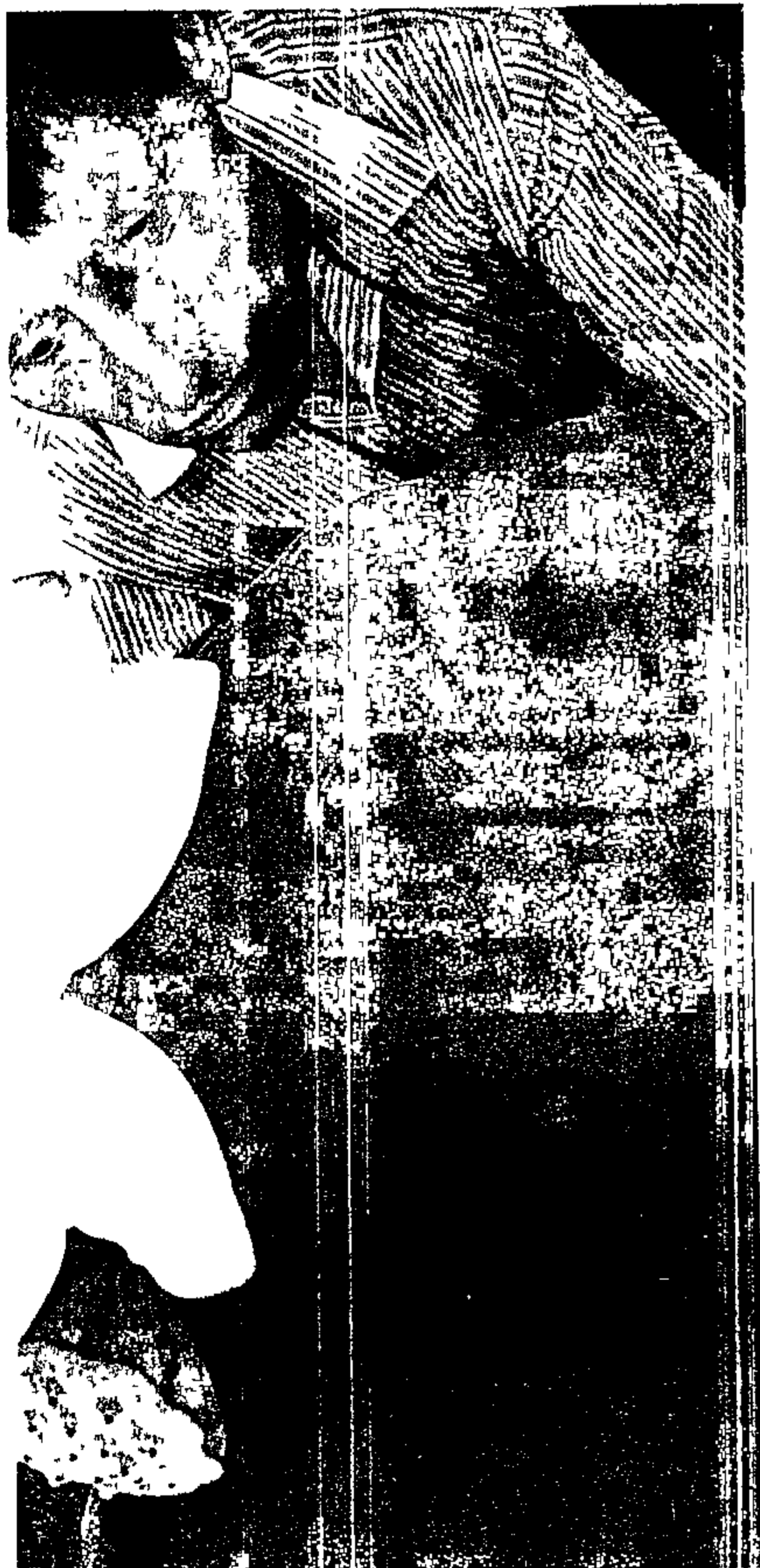
□ **BADLY WILTING:** Wim Tijmens is devastated by the damage to the p

innovation
furniture contracts

SUMMER SALE

en toxin disaster

(183) (8) ARG 20/1/96



Pictures ANDREW INGRAM, Staff Photographer

Director Wim Tjmens watches the glorious Eastern Lotus to see the effect of sulphur vapour from sulphur fire



□ **SULPHUR DAMAGE:** Horticulturist Pieter van der Merwe surveys a wilting fern



Wim Tjmens is devastated by the damage to the prize cycads



□ **EVENING PRIMROSE:** Wim Tjmens with the damaged Oenothera (Evening Primrose) species which is the result of 10 years' research

Engen wins approval for plan to float oil exploration company

BY AUDREY D'ANGELO

Cape Town — Shareholders approved plans for Engen to float South Africa's first stand-alone oil exploration and production company at the weekend. About 20 percent of the equity will be held by overseas investors.

Director John Bentley will conduct road shows in Britain and America to attract foreign investment in the new company, Energy Africa.

Allocation of shares and global depository receipts will be based on the price of bids in a book-building exercise in which at least half of the R360 million to be raised must be in dollars.

Chairman Bernard Smith said the money would be used to refinance the bridging loan for Engen's 2,25 percent interest in the Nkossa gas and oil field off the Congo coast and would also finance exploration, developments and acquisitions, internationally and in southern and western Africa.

Diversify

Smith said that Engen "has for some years wished to expand its oil and gas exploration and production activities in order to diversify and achieve a financial hedge between its refining and marketing activities and its exposure to oil production."

JSE listing requirements would normally only permit Engen to list Energy Africa by way of a renounceable offer to all existing Engen shareholders, but it had granted a dispensation subject to various conditions which would enable Energy Africa to raise funds inter-

nationally to finance developments and acquisitions outside the common monetary area.

Smith said the new company would focus its activities on Africa, where it believed it could exploit strategic advantages as an African-based company.

It would operate on an independent basis, setting its own strategic and financial objectives.

He said the separate listing of Engen's exploration and production assets would enable this part of Engen's business to develop faster than would otherwise be possible. This would maximise the value of those assets for shareholders.

Position

"In addition, as Energy Africa develops new and existing relationships with business partners across Africa, it will help strengthen Engen's strategic position within these markets."

The minimum value of placings in the book-building exercise will be determined by an independent technical valuation and by Engen acting on behalf of its shareholders.

Only qualifying majority shareholders will be invited to take part in the local part of the book-building exercise, which will give them the chance to tender competitive bids for shares in Energy Africa.

After completion of the placings, qualifying minority shareholders will have an opportunity to subscribe for shares in Energy Africa through a renounceable offer, at the same price at which the placings were implemented. The terms of this offer will be published on or about February 19.

Industry can create 400 000 jobs — Manuel

CLIVE SAWYER
Political Correspondent

183
ARG 23/1/96

THE petrochemicals, plastics and synthetic fibres industry is capable of creating 400 000 new jobs, says Minister of Trade and Industry Trevor Manuel

The importance of the industry had become clear from a detailed analysis of South Africa's resources and potential as a global player, as well as its role as a catalyst in industrial renewal and job creation

Mr Manuel was speaking at a summit of the petrochemicals, plastics and synthetic fibres industry in Midrand today

The challenge for the country was to shift its economy from a sluggish, low-skilled, low consumption economy to one based on import substitution

"We must shift from the tired emphasis on the export of commodities and primary processed products," said Mr Manuel.

"This industry should become one of the central pillars of such a strategy"

The mission for the industry was to become capable of supplying raw materials and intermediates for the downstream sector at world-competitive prices, to compete with undumped imports and expand the local market and expand job opportunities

Also part of the mission were improvement of skills of the workforce, improving working conditions, and expanding the business in an environment-friendly manner

The government would try to be a partner and to facilitate other partnerships

It would boost anti-dumping, revisit tariffs to enhance industrial development, and tackle problems like transport costs and costs of intermediates

The government would explore new and advantageous markets and extend supply-side support measures.

Much had been learnt from the performance of certain industries in newly-industrialised countries, some of which had borne fruit while others had floundered, Mr Manuel said

Among the aims of the summit was the formation of a steering committee to look at options for problem-solving

The summit was an important start to combining the efforts of the government and industry.

"We are all going to have to lean on each other a bit," said Mr Manuel

Move to sell Mossgas slated

JOHANNESBURG — The Chemical Workers' Industrial Union has condemned — "in the strongest possible terms" — the decision by the Department of Energy Affairs to sell Mossgas

The CWIU — the predominant union organised at Mossgas — said in a statement that the department's decision to proceed with the "no strings attached" sale of the gas and fuel-producing plant near Mossel Bay "flies in the face of government commitments to labour on the restructuring of state assets

"It also entirely ignores the dire economic consequences of selling a critical contributor to employment in the Southern Cape and to national foreign economic reserves."

The union said labour was concluding an agreement with the government which would determine the principles and procedures to be followed in restructuring state assets — Sapa.

(183) ARG 23/1/96

Euphemisms fly in Moss gas debate

BD 24/1/96
Mungo Soggot

GOVERNMENT has watered down the wording of proposals to sell Moss gas, in line with the privatisation euphemisms that have come to mask the issue.

After placing an advertisement earlier this month which referred to the "disposal" of Moss gas, government and the Central Energy Fund are now sending a letter to interested parties which says: "Government has decided to solicit proposals for the restructuring of Moss gas"

The letter — finalised yesterday and issued by advisers Rand Merchant Bank and Deutsche Morgan Grenfell — said government wanted to finalise the "restructuring" of Moss gas by the end of the third quarter. Interested parties were invited to submit their offers by March 15.

Government sources said the wording of the document had been changed in line with terminology which was acceptable to both government and unions.

A spokesman from the minerals and energy department said government's approach had not changed — it wanted to gauge private sector interest in the project, which could lead to a sale

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But a trade and industry official, who declined to be named, said government would first look at joint ventures before deciding on a possible sale, which would need the blessing of the unions

A spokesman for Minerals and Energy Affairs Minister Pik Botha said Botha would go to Cabinet next month to seek authorisation for spending a further R850m on the project to extend its life on the basis of the interest expressed from possible buyers this month.

The Chemical Workers' Industrial Union earlier this week slammed the proposed sale of Moss gas, saying it was "completely contrary to the national interest" It said the mineral and energy affairs department's decision to "forge ahead" with privatisation breached government's commitment to the unions that it would hold fire on any restructuring or privatisation while it negotiated with Cosatu over basic principles and policy.

The letter to potential buyers said that in addition to being used as a synthetic fuel factory, Moss gas could be used to pipe gas to the Western Cape to generate power.

Other options included petrochemicals manufacturing or crude oil refining.

BD 241196
**400 000 new
jobs possible**

THE creation of 400 000 new jobs in the petrochemicals, plastics and synthetic fibres cluster of industries was "eminently attainable", said Trade and Industry Minister Trevor Manuel.

"From the perspective of government, we believe a target of 400 000 new jobs in this cluster is eminently attainable," Manuel said in a speech prepared for a plenary meeting of industry representatives. He did not specify the time frame, but his spokesman Ismail Lagardien said about 250 000 to 300 000 new jobs were likely within 10 years.

Manuel said his department had several initiatives for job creation. — Reuter.

(183) (173)

Manuel vows to support petrochemical industry

BY CHARLOTTE MATHEWS

Johannesburg — The government believes 400 000 new jobs can be established in the petrochemical, plastics and synthetic fibres industries, Trevor Manuel, the minister of trade and industry, said yesterday

The government would try to help meet that goal, Manuel told a industry meeting in Midrand of more than 100 delegates from companies, industry bodies and labour organisations

Manuel said the government would try to be a supportive partner to these sectors. It would strengthen anti-dumping enforcement and reconsider tariffs where possible. He said the government would address existing distortions in areas such as transport costs and help to explore new markets.

The government would also extend supply-side support, he said. This already included the

Regional Industrial Development Programme, IDC financing, support for training, and support for small and medium businesses.

Manuel said this was the first industry meeting of its kind. It was intended to develop and build a strong industry, not a meeting of industry representatives to lobby the government because it was under temporary pressure.

The government wanted this industry to develop a globally competitive primary petrochemical sector that could produce raw materials and bulk intermediates. It also wanted to develop a vibrant downstream sector.

In general, the government wanted these industries to expand employment, upgrade the skills of the industry's workforce and expand the business with due respect for the environment.

□ Background: Page 18

CTCBR) 24/11/96 (183)

AECI faces sulphur fire claims

Samantha Sharpe (183)

BD 24/1/96
AECI faced between R15m and R20m in legal claims arising from last year's sulphur fire at its plant near Somerset West, the industrial group said yesterday.

The 20-year-old, 15 000-ton sulphur stockpile — owned by government but managed by AECI — caught fire in December. It left two people dead, and caused extensive agricultural damage.

AECI spokesman Mike Blizzard said the group had received about 250 claims from the local community — about 2 500 Macassar residents were forced to evacuate the area at the time — and about 150 claims from the agricultural sector.

All these would be met, provided they were legitimate, he said.

There would be no provisions

for the fire in AECI's financial statements as the claims would be covered by group insurers.

Blizzard said AECI was still negotiating with government on removal of the stockpile. "It's not ours and we would like to see it moved," he said.

Meanwhile, the group had installed additional safety measures in the form of a new sprinkler system and 24-hour patrols.

Trade ministry spokesman Ismail Lagardien said that while government would assist wherever possible in moving the stockpile, it was not its responsibility to do so.

The deal that had been entered into with AECI 20 years ago saw the group take over control and management of the sulphur stockpile and government was under no legal obligation to move it, he said.

BP chief must still prove himself over time

CT (BR) 24/1/96

(183)

FROM THE ECONOMIST

It may seem churlish to find fault with David Simon. He has helped to turn British Petroleum (BP) from a bloated bureaucracy into one of the most profitable oil companies in the world.

When Simon took over as chief executive in 1992, BP was demoralised, heavily in debt and losing money. Since then the company's share price has soared.

City analysts sing BP's praises. To top it all, Simon was recently voted "Britain's most impressive industrialist" in a poll of the country's bosses.

How has he resurrected BP? More important, has he done so in the right way?

The first question is easier to answer. Other bosses talk about management theories such as downsizing, outsourcing and empowerment. Simon practices them.

Since 1992 BP has slashed its workforce from 112,000 to 60,000. Layers of middle management have gone. Businesses such as food and minerals have been sold off, leaving BP to concentrate on what it knows best: oil, gas and chemicals.

The result has been a dramatic improvement in productivity. In 1994 BP made more profit on a barrel of oil than any other major oil company. Upstream (drilling) costs have been slashed by improved technology, such as three-dimensional seismic surveys, as well as by more efficient working methods.

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Colombia lack the political stability of North America and Britain. Drilling in deep water carries technical risks. Any chairman would have faced these problems, but Simon's cost-cutting has compounded them.

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But it may also reduce the chance of making dramatic new discoveries.

Richard Gordon of the Petroleum Finance Company, a consultancy in Washington, estimates that BP is not investing enough to replace production in the long run, judging by its costs of adding new reserves in the past.

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Size may not guarantee success for an oil company. But it can help. Contrast BP with Royal Dutch-Shell, the world's largest non-state-owned oil company, which operates, sometimes controversially, in more than 130 countries.

Shell's bosses have long appeared to see size as a goal in itself. They have invested in some projects that at the time appeared to offer unimpressive returns. Yet over the past decade Shell's return to shareholders has bettered that of most of its competitors, including BP.

One reason is that Shell's more expansive approach to investment has thrown up deals that have turned out to be money-spinners. Diversification has also protected it against risks in any one country or business.

Though Shell is also now restructuring, the reasons for its success should not be lost on Simon. Given the mess BP was in recently, Simon was correct to concentrate on slimming the firm down and maximising returns.

But the risk is that BP will lose opportunities for future growth. The real test of Simon's strategy lies ahead.

CT (BR) 24/1/96

SA petrochemical industry hit by 'lack of co-operation'

BY CHARLOTTE MATHEWS

Johannesburg — The most critical deficiency in South Africa's petrochemical, plastics and synthetic fibres industries is the lack of collaboration between the upstream industry, the downstream producers and the transport industry, according to Terry le Roux, a partner in Chem Systems

He was speaking at a meeting of the petrochemical, plastics and synthetic fibres industry in Midrand yesterday

The upstream industry refers to the producers of primary petrochemicals, intermediates, polymers, fibres and resins. Downstream industries are those that convert polymers and produce tex-

tiles, paints, and other goods

Le Roux, whose firm is an independent international consulting company specialising in this field, said the upstream sector depended on a successful downstream sector and a vibrant local manufacturing industry

He said the industry needed to attract foreign investors to develop the upstream industry. That required a favourable fiscal regime, including the ability to repatriate dividends fully and provide investment incentives

South Africa ranked last when measured against several other countries attracting foreign investment. It scored poorly on a comparison of raw material costs, quality of labour, interest rates and internal

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transport costs, he said. But the country compared well with others on economies of scale and having low energy costs

Claas Daun, a German entrepreneur with South African investments, compared South Africa with Germany

Daun said Germany was in trouble as a result of having built a "society of entitlement" over the past 30 years, where regulations protecting jobs and pensions were costly for businesses

He said that over-regulation of the labour market might do the same to South Africa because the costs of complying with increasing regulations meant there was less to invest in creating jobs for the unemployed

The South African Futures Exchange and the Bond Market Association are expected to follow the JSE and set up their own automated trading systems in the winter

Nicholas Rainier, the marketing manager for Dow Jones Telerate, says his company has already started identifying new targets, and, like Peterson, believes the key battle will be fought in equities. "We are about to produce a new technical charting package, with which we expect to gain substantial market and revenue growth," he said

Rainier readily concedes that Bloomberg is a formidable competitor. But, he argues, the company is hamstrung by its "stand-alone" technology, which means the Bloomberg terminal runs only its own service, rather than being able to switch between sources

Bloomberg has brought out an "open system", though technical managers say it is far from ideal

For all three "foreigners" there lurks yet another potential threat — the home-produced financial news agency, I-Net, which is already entrenched in the equity market

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Principles of Katz proposals are the key, says tax expert

BY LLEWELLYN JONES

Johannesburg — The Katz commission report formed the basis of a "serious and rational" debate on all taxation issues, Dennis Davis, a member of the commission, said at a Syfrets unit trust presentation in Johannesburg yesterday

This was particularly true for retirement funding where the system was skewed towards the wealthy

"Whether we have the figures wrong or not is for debate, but the principles have to be accepted now"

Davis said the system of taxation within retirement funding allowed for the deductibility of contributions to a pension fund, the tax exemption of the investment of the build-up in that fund, and the taxation on withdrawal from that fund (the so-called EET system — exempt, exempt, taxed)

The cost of this system to the fiscus was about R11 billion a year, assuming an average marginal rate of 30 percent for members of these funds. This was divided into R7,5 billion as a result of the tax-exempt nature of contributions, and R3,5 billion because of the exempt

nature of trading, interest and rental income

Davis said the commission believed contributions to a pension fund should be deductible because encouraging saving for old age was a legitimate objective of the government. However, it was not a legitimate objective of the tax system to "promote wealth creation above an acceptable pension level"

After sampling 165 funds, the commission chose 22,5 percent of annual remuneration as an acceptable cut-off level for the deductibility of pension contributions.

He said the commission had recommended that lump-sum withdrawals over R50 000 be taxed. This would act as an incentive to ensure people would be in a position to provide for their old age. The first R50 000 should be tax deductible as this would prevent members being taxed double at the build-up stage

"Over and above the R50 000, the balance should be applied to purchase an annuity, with a maximum capital-free tax lump sum of R540 000 buying an annuity of about R4 000 a month."

Davis also explained the motivation behind taxing the buildup

"What we are concerned about here is neutrality within the tax system; that it should be as neutral as possible between different forms of income accrual. We believe there is substantial arbitrage in the system"

Davis said the commission recommended that there should be a tax on interest and trading income at a rate of 30 percent, which is similar to that of life insurers. And this would "probably get you as close as possible to stopping the arbitrage"

"That figure could be altered, but the principle is something we hold sacrosanct to ensure both equity and efficiency in the system"

Davis admitted there were problems: "We know there could be an effect on the pattern of interest rates. We accept that there might be a reduction in the funds' yield, and we accept that the 30 percent might be problematic, particularly for people who don't have anywhere near a 30 percent marginal rate."

But the commission believed the R3,5 billion in extra income would outweigh the disadvantages if it was used to subsidise the pensions of lower-income groups or to reduce the marginal rate of taxation for those groups.

BP chief must still prove himself over time

CT (BR) 24/1/96

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FROM THE ECONOMIST

It may seem churlish to find fault with David Simon. He has helped to turn British Petroleum (BP) from a bloated bureaucracy into one of the most profitable oil companies in the world.

When Simon took over as chief executive in 1992, BP was demoralised, heavily in debt and losing money. Since then the company's share price has soared.

City analysts sing BP's praises. To top it all, Simon was recently voted "Britain's most impressive industrialist" in a poll of the country's bosses.

How has he resurrected BP? More important, has he done so in the right way?

The first question is easier to answer. Other bosses talk about management theories such as downsizing, outsourcing and empowerment. Simon practices them.

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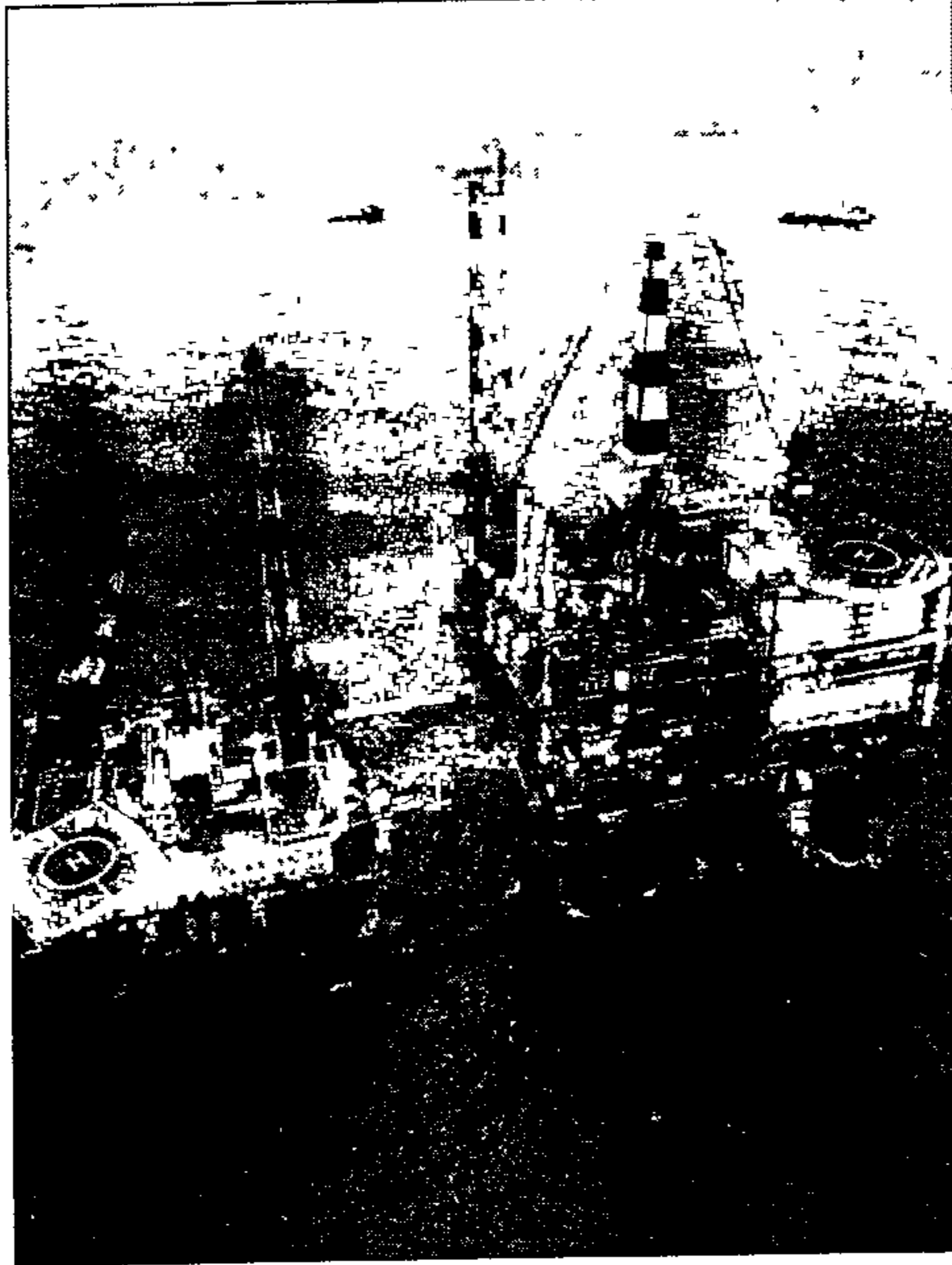
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AECI ready to pay after sulphur fire

ARL 24/11/96

(183) (5)

LINDSAY BARNES, Staff Reporter

LATEST

AECI is preparing to pay millions in compensation to the community of Macassar and farmers hit by the sulphur stockpile fire on December 16.

The first claim to farmers will be paid tomorrow, and compensation will be paid to Macassar residents from Monday.

About 270 claims totalling R500 000, the majority being less than R1 000 each, came from the community, according to AECI Provisions Services (Pty) Ltd managing director, Boet Coetzee.

Cheques would be written "there and then", he said.

The majority of claims were from Stel-

lenbosch, Kuils River and Faure, and most ranged between R50 000 and R2,5 million.

Mr Coetzee also released details of preliminary findings on how the fire happened. He said five fires raged during a period of four days, igniting the stockpile.

AECI helped the family of the two Williams brothers, Ronnie and Andrew, who died of asthma on the night of the fire. They organised a professional counsellor and bridging finance of R15 000 to help the family over their bereavement.

AECI looks to the sky for answers

(183) 25/1/96

ANEZ SALIE
STAFF WRITER

A LARGE bird could have started last month's fatal sulphur fire that caused three deaths and the midnight evacuation of thousands of Macassar residents, according to AECI's Mr Boet Coetzee

Coetzee, managing director of AECI operational services, said yesterday a preliminary, in-house investigation had found that the stockpile caught alight because of five veld fires over four days, one kilometre east of the sulphur

The first was on Wednesday, December 13 last year

"The initial indications are that it was initiated by some sort of discharge from a high tension wire," Coetzee said.

"We have spoken to Eskom and they have had experiences where a large bird can actually induce such a discharge. We have a witness who saw a discharge, and we recorded an event on the instrumentation that co-incident with what the witness saw

"(But) we could not find the carcass of a bird or anything like that, so we can only speculate

"Exactly how it took place I can't explain to you yet, and may never be able to "

Coetzee said AECI's own fire department doused the initial fire, and another the following day, Thursday, December 14

He claimed they "went to some pains" to ensure the flames were thoroughly doused, but it started again the next day (Friday), and the day after that

"This time it had a strong south-easter behind it, estimated at between 70 and 80km/h "

He said they had had difficulty in dousing the stockpile fire, and had asked the air force for help

to supply members and consumers directly. This move would pass on the benefits of bulk buying power and economies of scale and is the key to bringing down prices.

While the industry supports the department's objective of ensuring an adequate supply of safe, cost-effective drugs of acceptable quality to all South Africans it notes with dismay that sentiments in regard to the deregulation of pharmacists' ownership which had been voiced in the first Broomberg/Shisana Commission report last year now appears to have been discarded.

The industry also supports the department's notion that drugs be acquired at the lowest possible prices and its promotion of generics. But again, it notes with concern, the department's proposal that generic substitution be made mandatory. "We believe that the decision to use a generic must be left with the doctor and patient. This also applies to mandatory generic prescribing because it affects the discretion of the prescribing doctor."

Because chemically identical drugs are not always equivalent, and doctors and patients are the best judges of appropriate therapy, the industry approves of the proposal that the essential drug list be handled with flexibility for "specific patients" in the public sector. And, instead of overruling the doctor's choice in the private sector by mandatory generic substitution, permissive substitution by the pharmacist, if the prescribing doctor agrees, should be the route selected.

The industry remains totally opposed to the extension of the essential drug list to the private sector.

A "pricing committee" to regulate drug prices as proposed by the department is also strongly opposed by the industry, which claims it would, like in Europe, increase costs. Already the manufacturer is hampered by the central buying power of government with consequential distortions elsewhere. Further controls, could therefore damage the industry resulting in plant closures, research shut-downs and job losses. ■

HEALTH

SAME TREATMENT

FM 26/1/96

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Drug companies warn that safety and quality standards must be maintained. And the State, as a buyer, should insist on this, they say.

The industry's policy statement was presented to the Health Department this week by the Pharmaceutical Manufacturers Association, the Proprietary Association of SA, the SA Association of Pharmacists and the National Association of Pharmaceutical Manufacturers.

Dealing with drug imports the industry notes that government policy seems inconsistent with the department's objective of promoting the local manufacture of essential drugs for primary health care. However, such importing would only be economically viable to buyers if prices differ, notes the report.

The industry says it supported the removal of tariff barriers in 1994 which exposed it to international competition and allowed foreign companies to enter the local market, thus stimulating competition. But it notes, "duties on raw materials, as opposed to imported finished products are still high and this aspect must be addressed."

As in the past, the industry again advocates the deregulation of the ownership of retail pharmacists to allow medical schemes, hospitals and big business to buy medicines for their own account and

Mossgas sale a ⁽¹⁸³⁾ 'mistake'

By Coudjoe
Amankwaa

26/11/83
Sowetan
THE Department of Mineral and Energy Affairs' decision to proceed with the "no strings attached" sale of Mossgas not only flies in the face of Government commitments to labour on the restructuring of state assets, but it also ignores the economic consequences of the sale.

This is the view of the Chemical Workers Industrial Union which said the sale ignored the economic consequence of selling a critical contributor to employment in the Southern Cape and to national foreign exchange reserves

While understanding that the depletion of gas at Mossgas requires urgent action to determine the plant's future, the union viewed the sale as a pretext for privatisation

Mossgas produces a substitute for imported crude oil, which saves the country over R500 million in foreign exchange annually. The loss of this saving would severely undermine the balance of payments, widely regarded as the key constraint on the future growth of the economy

First AECI payments to farmers

ARG 26/1/96
LINDSAY BARNES, Staff Reporter

THE first AECI payouts have been made to farmers affected by the devastating sulphur fire which poured toxic fumes into the air in December

An AECI spokesman said a farmer was paid an unknown amount, and further payouts were expected to be made today, a little more than a month after the tragedy in which three people died

The compensation is expected to total between R15 million and R20 million, AECI operations services managing director Boet Coetzee said

However, claims from farmers may extend over a period of a year due to the nature of farming, he said

No Macassar residents have been paid out yet as negotiations between

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the company and the Macassar Crisis Committee over the method of payment are still underway. Compensation, however, appears imminent

More residents appeared at the plant yesterday to file claims, including a couple whose wedding was disrupted when victims took refuge in the hall where the reception was held

A full environmental impact study, being conducted by a professor at the University of Cape Town, will be complete next week

According to Mr Coetzee, the sulphur dioxide level soon after the incident was at "manageable levels"

Although the stockpile, from which the fumes poured when it caught fire, had been reduced by half, 15 000 tons still remained

Oil to start flowing at Cape field this year

Cape Town - High-grade crude oil will start flowing from Cape Town's first fully productive oilfield by the end the year

The oilfield, off the Bredasdorp coast, will deliver about 20 000 barrels of crude a day. The oil will be pumped from a floating production platform into waiting oil tankers.

Soekor chief executive Joggie Heuser said the project had been delayed because of the "unfortunate" sinking of the Sedco H offshore drill which was to be refitted and used as the production platform.

Engen Bredasdorp and Soekor E and P are the only shareholders in the project. The total cost of the project is upward of R250-million and it is to be funded by foreign loans.

An estimated 150 jobs will be created and the lifespan of the field is between three and five years.

The field can be extended if an adjacent oilfield can be tied in to the production facility profitably.

Referring to the leasing of other South African offshore areas to international oil companies, Heuser said none of the blocks had yet been leased.

Companies were still reviewing available data. They would be allowed as much time as they needed to consider applying for these areas.

Stand by for Cape's new oilfield

■ The Cape's own oilfield — the only viable oilfield in South Africa — will start delivering by the end of the year.

WILLEM STEENKAMP

Staff Reporter

183
ARC 27/1/96

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An estimated 150 jobs will be created and the lifespan of the field is between three and five years. The field can be extended if it is proved that adjacent oilfields can be tied in profitably.

Referring to the leasing of other South African offshore areas to international oil companies, Mr Heuser said none of the blocks had yet been leased

"These companies are still reviewing available data and our invitation to international oil companies remains open to allow them as much time as they need to consider applying for these areas.

"Until an award to any company is made, we are bound by not to disclose the names of companies that have shown an interest in the South African offshore areas"

■ More than 40 companies from at least 12 countries have shown an interest in buying Moss-gas, which is fast running out of gas

Moss-gas needs about R850 million to bring satellite fields on line to increase the lifespan of the project. The government is expected to take a decision next month on whether Moss-gas should go ahead or not with expansion

Experts believe it may take up to a year for any sales agreements to be concluded — by which time the R850 million issue will in any event have been resolved

But there ARE strings attached to Mossgas, says

By JEFFERSON LENGANE

THE CHEMICAL Workers Industrial Union (CWIU) has asked the government to stop the decision by the Department of Mineral and Energy Affairs to proceed with the "no strings attached" sale of Mossgas.

There was a clear commitment from the government at a meeting with labour on January 11 that all restructuring of state assets will be halted until there was a National Framework Agreement on privatisation.

The agreement was rescinded by COSATU's suspension of its intended national 24-hour strike in protest of the government's privatisation intentions.

On January 18 the government again met with labour, and COSATU spokesperson Nowetu Mpati told City Press that progress was still being made.

South African Telecommunications (SATA) has also demanded a moratorium on the process of restructuring in terms of which five business units within Telkom will be outsourced.

These are the construction, transport, restaurant, workshop and security divisions - which provide logistic services to its principal business, telecommunications.

Dire consequences

"It also entirely ignores the dire economic consequences of selling a critical contributor (Mossgas) to the employment of over 1 000 workers in the Southern Cape and to national foreign exchange reserves.

Buthelezi said that, while understanding that the depletion of gas at Mossgas requires urgent action regarding the plant's future, his union will not accept this as an

Opposition

SATA president Colin Smith stated that "The perceived underhand way in which Telkom continued negotiations on restructuring these func-

omy. We cannot accept such a state of affairs. Although we have sympathy for the position in which Telkom is, as well as the threats facing them from international competition, SATA demands that a moratorium be placed on restructuring until the conclusion of the NFA.

"Furthermore, it is our belief that restructuring in terms of the proposed NFA would promote labour stability not only in the interests of Telkom, but also in terms of the national economy."

Union
(183)

Oil bosses 'do not deserve an increase'

(183) MD 30/1/96

Mungo Soggot

THE Chemical Workers' Industrial Union has slammed the oil industry's plans to lobby government to increase its fuel wholesale margin.

It said yesterday the "oil bosses" did not deserve the increase because of their attempts to bar efforts by other stakeholders in the industry to change the regulations on liquid fuels.

"They have shown scant regard to the process of tripartite negotiation over these issues at Nedlac and elsewhere. Given their lack of commitment to developing new regulations, there is no reason why old regulations should be enacted for the oil companies' benefit," the union said.

Engen MD Rob Angel said last week that the wholesale margin — the portion of the pump price retained by the oil marketing companies — needed to be lifted because of "inflation-linked cost increases".

This latest call for a hike in the wholesale margin comes amid growing pressure on government to either change or dismantle the regulatory system which rigs SA's fuel market.

Industry analysts said the crude oil companies had become increasingly frustrated at government's failure to hike the wholesale margin.

They had originally been very hap-

py with the regulatory system designed to keep them in SA during the sanctions era. But government had not changed the margin since 1993.

"When government stopped tweaking the margins to keep them happy, they started to call for deregulation," said one.

The regulations are due to be examined in the mineral and energy affairs department's White Paper on energy policy, due this year.

The union questioned the merits of increasing the margin, which had risen by nearly 150% in the 15 months to July 1992, saying the margin had outgrown inflation substantially over the past six years.

An oil industry spokesman said the wholesale margin had been designed to ensure the oil companies received an adequate return on their investment.

The industry had never hit the 15% return it was supposed to get with the help of the margin: its return had risen from 3,2% in 1991 to 8,7% in 1992, 13,9% in 1993 and 12% in 1994.

The union said the entire regulatory system governing the industry had to be reconsidered.

"If oil companies are unwilling to commit themselves to inclusive negotiations over the dispensation, then there can be no justification for making ad hoc increases to their margins."

By William Wollersdorf

Govt absorbs unleaded fuel bill

Mungo Soggot

GOVERNMENT would take a R160m-R170m knock from subsidising the introduction of unleaded petrol this year, fuel industry economists said yesterday.

Transnet economist Mike Schussler said government's tax revenue from unleaded fuel would be 6,2c/l less than that of leaded fuel. Based on projected sales of unleaded petrol — government hoped it would account for about 20% of the market after the first year — this would cost government between R160m and R170m.

The Central Energy Fund confirmed last week that unleaded fuel would hit the pumps on February 1 at a

4c/l discount to leaded fuel. Cabinet had decided on the 4c/l price differential to ensure unleaded petrol captured 15% to 25% of the market in a year.

The SA Petroleum Industry Association said there had been no hitches in the run up to the introduction of unleaded fuel and everything was on track for a smooth start up.

Econometrix economist Tony Twine said that in a "neat coincidence", government's 4c/l knock from the price differential between leaded and unleaded would coincide with a 4c/l cut in the subsidy given to Sasol.

The cut in Sasol's subsidy, which comes from the 9c/l motorists pay to the equalisation fund, will be diverted to state coffers.

BN 30/1/96

(183)

MEDIA SPOT

Industry faces consumer resistance to unleaded fuel

BB 30/1/96 (183) (E)

Reports by
Jacqueline Zaina

THE expectation of the petrol and motor industries that 20% of customers will convert to unleaded petrol in the first year of its availability highlights the extent of the communications challenge facing these companies

Although the introduction of unleaded petrol next month could prove to be an effective marketing tool, the industry is concerned that consumer nervousness about filling up with a new type of fuel may initially limit its success.

Shell marketing manager Ralph McKellar said yesterday: "Based on international experience and the lower price — unleaded fuel costs 4c less a litre — we are confident the industry will achieve a 15%-25% conversion rate among existing consumers."

He said the outcome of the introduction of unleaded petrol for oil companies would depend largely on whether consumer awareness was heightened sufficiently to effect understanding and acceptance of the new product.

"Internationally, the introduction of unleaded fuel has been characterised by an initial lack of understanding which was countered only once customers became aware of the benefits of the petrol, such as the extension of engine life," said McKellar.

The advent of the unleaded op-

tion had resulted in co-operation between petrol and motor companies in an educational drive, said McKellar. Co-operation in the marketing of unleaded fuel in major newspapers and car magazines had been prompted by the realisation that it would have been wasted economy for all fuel and motor companies to educate consumers on the same thing "It was decided that following the broader educational drive, we would brand our products separately and fight the war on that basis," he said

The main thrust of Shell advertising launched in December has been on the detergent additive, which is now promoted as being available in both leaded and unleaded fuels.

McKellar said he did not expect to see much advertising on the basis of the environmental benefits of unleaded petrol yet, but said Shell might consider this platform in the longer term.

Total, which launched its "Great Extender" campaign as early as November, emphasised the ability of unleaded fuel to extend engine life, while Caltex also introduced a brand-specific unleaded petrol campaign towards the end of last month

One of the central tenets of Engen's advertising is the ability of the fuel company to offer unleaded petrol throughout SA on the basis of its extensive network of service stations All major petrol compa-

nies would also provide toll-free lines for additional information

The main thrust of advertising by motor companies would be the compatibility of unleaded fuel with various vehicles

Network agency client service director Jurgen Lubbe, who handles the Nissan account, said the car company's unleaded campaign focused on the way in which unleaded fuel affected Nissan vehicles It stated the possible need for timing adjustments which could be required to ensure optimum efficiency of vehicles running on the lower-octane unleaded fuel

Lintas client service director John Holding said "Awareness of unleaded petrol is generally low, and non-existent in the black market, indicating that petrol and motor companies face a massive consumer education programme"

A recent Lintas survey indicated that the customer's choice of petrol was determined mainly by quality service and the perceived performance of their vehicles This may have important implications with regard to the use of unleaded fuel which, being a lower octane fuel, may be perceived to reduce performance levels

However, an Engen spokesman said about 65% of vehicles would be unaffected by the conversion About 15% of cars which required timing adjustments to run on unleaded petrol would experience a slight reduction in efficiency.

Low gas price hike warms consumers

STAFF WRITER

ET(BR)

183
30/11/96
"The Fande gas field in Mozambique is expected to begin supplying gas to Gauteng and Natal next year. The field could supply our markets with 200 million cubic feet of gas over more than 20 years, while studies under way could possibly extend this to 30 years"

Johannesburg — It has been a relatively good year for South African commercial and industrial gas consumers Gaskor, which supplies 95 percent of all South African gas, increased prices by only 3,7 percent against an official inflation rate of 7,5 percent

This was the lowest Gaskor price hike ever recorded, according to the latest international gas price survey compiled by National Utility Services (NUS).

NUS, a specialist in fuel and energy cost analysis that services more than 35 000 clients worldwide, researched 13 countries for its gas survey, which covered the 12 months to September 1995.

Rob Mackenzie, NUS South Africa national sales manager, said cost estimates showed that gas could compete well with other energy sources

Mackenzie said Eskom and Shell had researched the feasibility of building power stations in the Northern Cape and Western Cape to be fuelled by gas from the huge Kudu gas field off Namibia's coast

"But with coal still far cheaper than gas as a power source, it does not seem likely that Eskom will now choose the cleaner gas route. Several other countries, notably the US and Britain, are already operating gas-driven power stations."

Of the countries surveyed by NUS, Italy is the most expensive and Britain the cheapest South Africa moved from the sixth most expensive in 1994 to fifth place last year.

A SMALL notice in the US Federal Register of December 15 last year bears interesting, if singularly inelegant, witness to Sasol's efforts to expand the market for the chemicals it recovers from its synthetic fuels process, and to the obstacles it faces from nit-picking US bureaucrats. "The Food and Drug Administration," reads the notice, "is announcing that Sasol Alpha Olefins has filed a petition proposing that the food additive regulations be amended to provide for the safe use of ethylene/pentene-1 copolymers as components of articles intended for use in contact with food."

Sasol turns coal into gas into synthol into petrol and diesel fuel. Alpha olefins are a group of carbon and hydrogen compounds present in the synthol to petrol stream. In 1994, Sasol completed a new 100 000-ton-a-year plant to recover two of these compounds, pentene and hexene.

Hexene is mixed, or more correctly copolymerised, with ethylene to make linear low-density polyethylene — common plastic wrap to the rest of us.

Pentene, which has five carbon atoms to hexene's six, has not hitherto been widely used for this purpose. Indeed, until Sasol got into the game, only one other company, in Europe, produced the stuff. Its volumes were limited (3 000 tons a year) and its product was not sufficiently pure.

EP-1, to give pentene-based plastic wrap its official title, is thus a new product, at least as far as the US Food and Drug Administration (FDA) is concerned. Ergo, it needs approval before it is allowed to come into contact with American food. Getting that approval is not easy. Sasol spent nine months preparing detailed research showing the EP-1 was as safe as all other variants of polyethylene in use and posed no greater threat to the environment.

Sasol plays the waiting game with US watchdog

SIMON BARBER in Washington

150 201/96
(183)

The FDA's announcement of Sasol's petition invited public comment, but generated none, suggesting no major concern from the scientific community or consumer watchdogs. The European Community feels there is so little danger involved that, even though it has not formally signed off on the product, it has allowed EP-1 to be marketed while it makes up its mind. So how long will US approval take?

Sasol's Washington law firm, Keller & Heckman, which specialises in this sort of thing, says it could be anywhere from 18 months to three years. Emil Corwin, a spokesman for the FDA's food additive department, said information on the subject was "not readily available at this time." Asked what the procedures were for determining whether EP-1, or any substance for that matter, was safe, Corwin would only say "they are outlined in the regulations". Very helpful.

Sasol clearly places considerable importance on getting EP-1 approved. In response to written questions last week, spokesman Alfonso Niemand said management felt "frustrated" by the delay. It is

known that Sasol raised the issue during meetings of the US-SA binational commission last month. The American side promised to look into the matter, but members of the delegation admitted last week that, when it came to dealing with the FDA, there was little they could do.

An interesting aspect to all this is that Sasol is flying solo in seeking approval for EP-1, even though it will not be making the material itself, but simply supplying the pentene feedstock to US companies.

This raises the question: why is Sasol going to all the trouble, especially since it already has a strong market here for its hexene?

The answer, which would seem to do credit to Sasol management, is that it has spotted the opportunity to create a market in which, if successful, it would have a de facto monopoly on a key input.

Hexene is not the only alpha olefin currently used in making carbon atom molecule. It is the cheapest and most common input.

but produces a lower grade of polyethylene that lacks the strength, resilience and other mechanical properties of the product made with hexene. Sasol says its pentene is competitive in price with butene while EP-1 is competitive in many of its mechanical properties with the hexene-based material.

Accordingly, Sasol believes its pentene can nudge butene out of the market without cutting demand for its hexene, which it has been selling here since November 1984, and which it can continue to deliver at competitive prices and purities because of its unique production process. Everyone else has to have special chemistry sets and lots of ethylene to produce alpha olefins. For Sasol, they are cheaply derived from the coal-based synfuel soup, and much more flexibly.

"Unlike our competitors," Niemand said, "who have to start with ethylene to make butene-1, hexene-1 etc in a fixed ratio, we can target to tonnage of hexene-1 or pentene-1 we need for the market, leaving whatever the market does not need in the petrol pool. Since competitors make the (range of) alpha olefins in a fixed

ratio, they have trouble disposing of some of the products with less market demand."

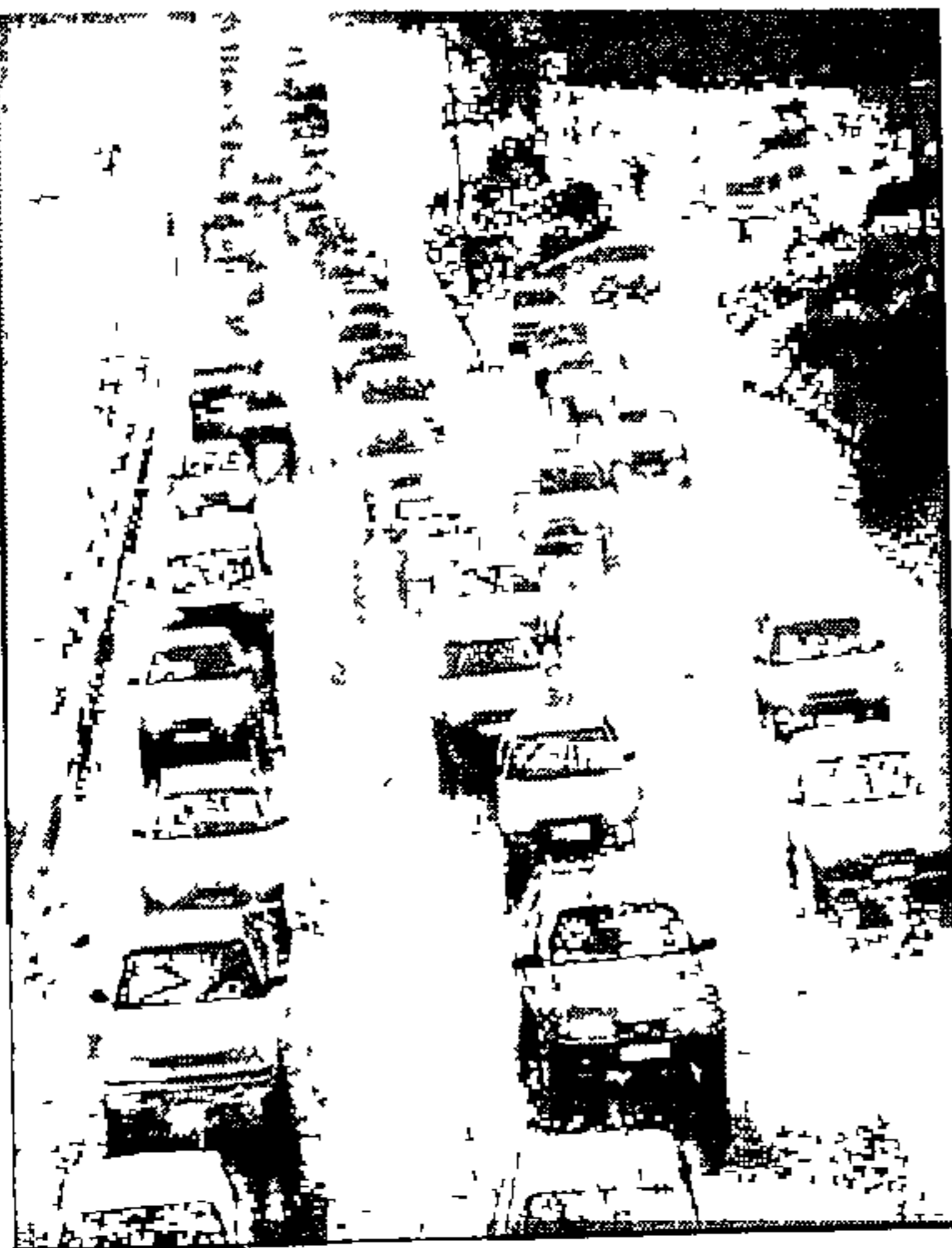
One possible advantage for Sasol in developing a market for pentene here is that the material would be relatively safe from anti-dumping or countervailing duty suits from US competitors — always a danger because Sasol is a low-cost producer of alpha olefins and has benefited from state subsidies even if these are now to be phased out. But it would be hard for a US firm to make a case that it was being threatened by imports of a product it does not make.

For the record, Sasol insists it has no worries about US anti-dumping laws, although it has admitted hearing "rumours" that a US producer of hexene, Albemarle Corp, was considering a suit against Sasol hexene two years ago.

Sasol had declined to discuss a joint marketing deal with the Louisiana-based company and instead set up its own distribution firm, Sasol Alpha Olefins North America, in Houston. Albemarle has since been reported to be selling its alpha olefins business to Amoco.

Sasol says it has been doing "a tremendous amount of development work with several leading US companies" on getting EP-1 accepted by the industry. But while "several US companies" have expressed interest in taking the pentene and are importing samples to carry out their own evaluations, they have left it up to Sasol to get EP-1 approved.

The FDA is a law unto itself. It also tends to focus resources on high-profile applications, which Sasol's is not. Ironically, that EP-1 is uncontroversial may well not assist its cause. However, there is one bit of good news. According to Keller & Heckman attorney Ralph Simmons, the FDA may be slow, but it is also fairly scrupulous. Simmons thinks it unlikely it would be swayed by Sasol competitors seeking to keep its products out of the market.



FUMES GALORE: A familiar sight on South African freeways and city streets: Streams of cars and lorries and fumes galore. The vehicles will remain, but the fumes could be a thing of the past with unleaded petrol.

Unleaded won't cost the earth

(183) ARG 30/1/96
PRETORIA - Thursday sees the launch of unleaded petrol in South Africa and motorists are already wondering just how its arrival will affect them

At the coast, unleaded petrol (with a slightly lower octane rating) will be available at a cost of about R1,71 a litre. This is 4 cents a litre cheaper than the equivalent leaded fuel, a ploy designed by the authorities to encourage motorists to switch to unleaded.

The idea is that, at the coast, petrol pumps that provide leaded fuel with a 93 octane rating (and known as regular, which is the lowest octane available locally) will be used to serve the new unleaded. As the demand for unleaded grows, more pumps will be switched to provide the new fuel. By May 1, unleaded should be available at every garage.

According to the fuel companies, all the major petrol stations in the greater Pretoria area should have at least one pump available providing unleaded from next Thursday.

The plan is that fuel companies will empty and clean 93-octane leaded tanks at stations before Thursday, fill the tanks with the new unleaded fuel and fit the narrower pump nozzles needed.

In reality, however, it appears some fuel companies are running behind schedule because several petrol stations approached by The Argus report that the conversion has not yet taken place.

So, who will be able to use the new fuel? The major motor manufacturers report that 65 percent of all cars on the road will be able to switch to unleaded immediately. Almost all cars built in the past five years have engines designed to run on unleaded.

About 15 percent of the remaining vehicles, mostly older cars, will need some form of retuning to use unleaded, while a further 10 percent will need to run three tankfuls of unleaded to one tankful of leaded.

The final 10 percent, either very old cars or high-performance cars with high-compression ratio motors, won't be able to use unleaded at all. This is not a major problem, however, as leaded fuel supplies will be provided for at least the next 15 years.

So, how do you know whether your car can use unleaded fuel? The plan is that petrol stations will be supplied with brochures motorists can study. Many stations already have these in stock.

But, if the brochure information does not cover your car, however, authorities suggest you call your local dealer or manufacturer, all of whom have set up advice lines.

The manufacturers also have supplied dealer workshops with details of any modifications needed by models that may need retuning.

According to the workshop manager of a city dealership chain, modifications will be fairly simple and cheap.

"We are expecting dozens of inquiries," he said, "and it would be unfair to charge them much."

"We reckon we could do it for as little as R20 a car."

In addition, major fuel manufacturers also have toll-free information lines.

Most of these toll-free services will be able to provide phone numbers and contacts for people needing advice on whether their motorcycles, motorboats and lawnmowers will be able to run on unleaded. Diesel vehicle owners will be unaffected.

The numbers are Total 0800-118-089 (8.30am to 10pm), Shell 0800-027-027 (8am to 5pm), BP 0800-222-456 (8am to 5pm), Engen 0800-212-005 (8am to 5pm), Caltex 0800-226-655 (8.30am to 4.30pm) and Sasol 0800-111-705 (8am to 5pm).

No payments on shares, says Energy Africa MD

Samantha Sharpe

CAPE TOWN — Engen subsidiary Energy Africa, to be listed at the end of this month, will not be paying dividends on its issued shares "in the foreseeable future", Energy Africa MD John Bentley said yesterday.

Engen will have an estimated 62,8% stake in the new company, which will house the group's oil and gas exploration and production activities.

The decision to withhold dividend payment was not unusual, given Energy Africa's aggressive asset growth strategy. Future earnings would probably be reinvested in the business.

Finance director Jim Rutland said the company expected to show a positive cash flow of about \$22m this year, rising to \$40m in 1997. This was based on existing assets, planned oil

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exploration activities and assumed a Brent crude oil price of about \$17 a barrel.

While it was impossible to give a profitability forecast for the new company, it would not prove a financial drain on its parent, which posted a 50% slump in net earnings before exceptional items to R195m in the year to August.

Bentley said proceeds from the listing of about \$90m, half of which will be raised offshore, would be used to pay off a \$25m bridging loan for its Nkossa oil field offshore of the Congo.

The rest would be used for working purposes and more oil exploration, particularly in West Africa.

Energy Africa assets included interests in three fields: the Alba oil field in the North Sea, the Bukha condensate field off Oman's shores,

BD 1/2/96
the Nkossa oil and gas field and the EB-T field off SA, he said.

While pricing of Energy Africa shares would be determined by a book-building exercise, the SA offer price range was R8,75-R11,25 an ordinary share.

The book-building exercise, the first of its kind in SA, would maximise value for Energy Africa by a competitive pricing mechanism.

Energy Africa launches new offer

(183) CT (BR) 1/2/96
BY MAGGIE ROWLEY

Cape Town — Energy Africa, the oil exploration and production company soon to be listed separately from the upstream assets of Engen, launched its combined South African and international offering yesterday to raise about \$90 million.

It is the first offering in South Africa using the book-building process through a competitive pricing mechanism, with shares being offered to South African investors at R8,75 to R11,25 an ordinary share.

There are 33,5 million ordinary shares in the combined offer with shares in the international component being either ordinary or global depositary shares.

The estimated closing date for the bids are February 21 and February 28 for the JSE listing.

The combined offer will be followed by a small renounceable rights offer to minority Engen shareholders at the same price paid by institutions. Shareholders will have about three weeks after the listing to exercise their option.

The renounceable offer will be about 10 percent of the offer, bringing the amount to be raised to less than \$100 million.

Managing director John Bentley said Engen would retain a stake of about 62,8 percent in Energy Africa, but this could be diluted if an over-allotment option of more than 5 million shares was taken up in the international offer.

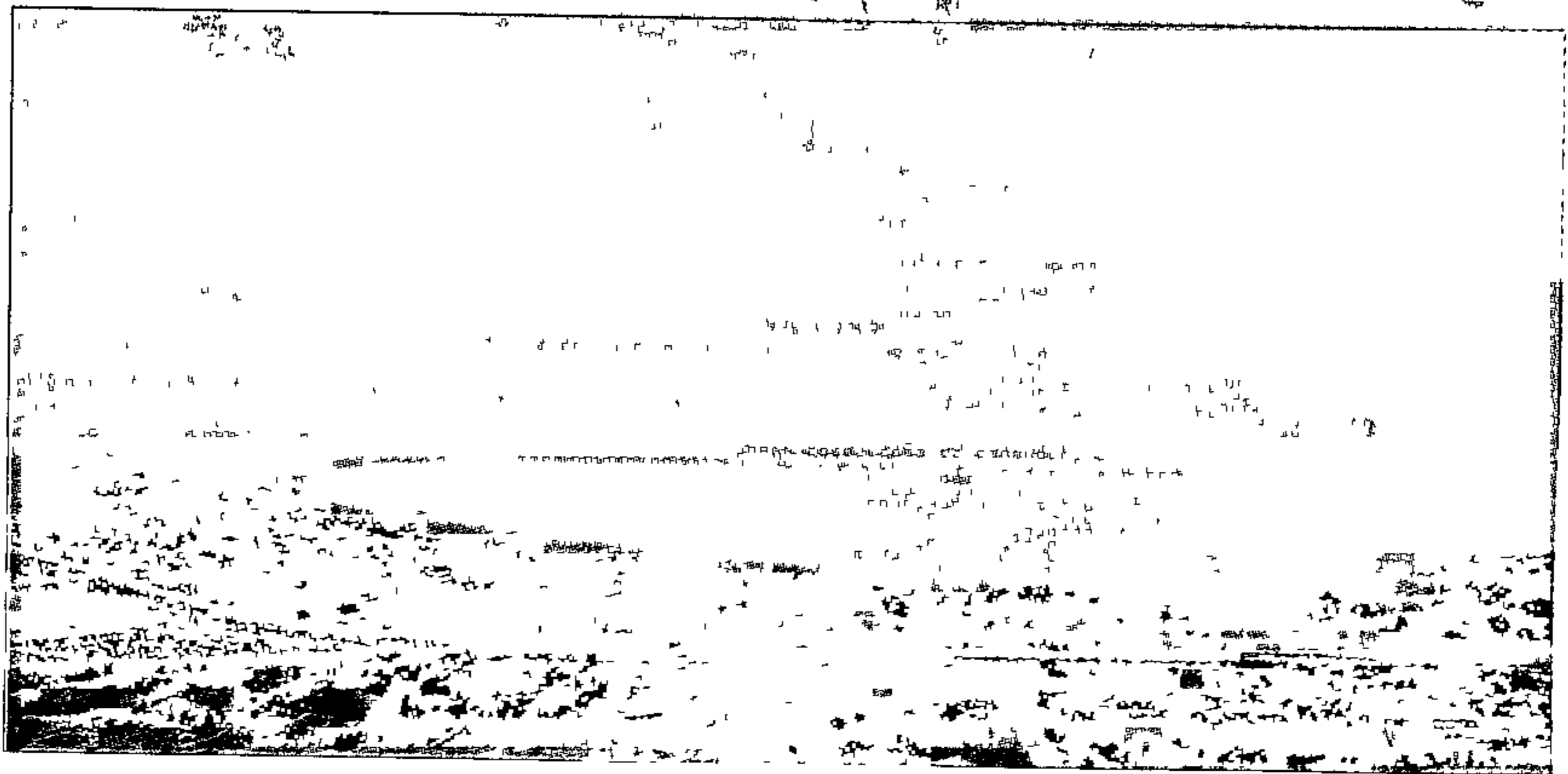
Bentley said the bookbuilding exercise was to maximise value for Energy Africa through a competitive-pricing mechanism.

The large number of Engen shareholders meant it was only practical for shareholders holding more than 75 000 shares and other large investors to take part, with the allocation of shares to these investors based upon a competitive bid for the shares. However, through the renounceable offer, minority shareholders will be able to participate on a pro-rata basis.

The proceeds of the offer are to be used to reduce net debt and to finance the company's aggressive exploration programme, predominantly on the west coast of Africa. A total of 15 new wells are to be drilled over the next two years.

Energy Africa's assets include interests in the Alba oil field in the North Sea, the Bukha condensate deposit off Oman, the Nkossa oil and gas field off the Congo and the EB-T oil field off the South African coast.

The South African offer is being led by Rand Merchant Bank with sponsoring brokers, Fleming Martin Securities, BOE NatWest Securities and Smith Borkum Hare. The international offer is being co-ordinated by Merrill Lynch International and NM Rothschild & Sons.



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STRONG PRECEDENT Analysts say that recent approval for Iscor's ecologically sensitive Saldanha Steel project at Saldanha Bay adds weight to arguments in favour of the proposed storage deal. It would be difficult to ignore the precedent set by the Saldanha Steel project, particularly in view of the storage deal's potential for creating jobs in the area.

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Lengthy environmental study throws doubt on SA oil storage deal with Iran

ET(BR) 2/2/96 (183)

BY LYNDA LOXTON

Cape Town — South Africa's planned oil storage agreement with Iran may be in the balance.

But industry commentators are confident there will be other takers if the Iranian deal falls through.

Iran's plans to use South Africa's state-of-the-art facilities at Saldanha Bay, built to beat the oil embargo during the apartheid years, have been put on hold until the end of September pending the outcome of an environmental impact study.

A well-placed source in the oil industry, who asked not to be identified, said that the deal had always been "iffy".

"There is just not enough tension in the world to make storage space here vital for Iran, and the (political) heat has been off Iran for some time now," said the source.

But South African and Iranian officials played down delays and the potential problems caused by the lengthy environmental study.

Kobus van Zyl, chief executive of the state's Central Energy Fund (CEF), which is involved in concluding the deal, said the Iranians had no intention of pulling out and the deal was "not dead".

He dismissed rumours within the oil industry that there had been talks with other parties about the possible lease of the storage on South Africa's west coast.

"Discussing the possibility of accommodating other oil producers is in my view a waste of time although that is not something I would rule out in the future."

A spokesman for the Iranian Embassy in Pretoria said that, as far as he was aware, the storage deal was still on track and made good sense in light of the fact that Iran supplied 70 percent of South Africa's crude oil imports.

Under the deal, Iran would lease two 7.5 million-barrel storage tanks, allowing South Africa to sell another 15 million barrels of stockpiled crude on world markets.

But other sources close to the Iranian deal said there were bound to be other parties interested in the storage space.

They said the environmental impact study was unlikely to prove a major stumbling block since tankers had been entering and leaving the port for 15 years.

CEF figures show a total of 473 crude tankers have passed through the port since 1980, many of them part of the sanctions-busting efforts of the previous apartheid government. The ships ranged in size from

80 000 tons to 250 000 tons.

"Fortunately, we've got a good track record and you have to have very good arguments against a good track record," Van Zyl commented.

The port, ideally placed for Middle East oil producers wanting to move crude around the tip of Africa, is modern and efficient by world standards, making it attractive to a number of Iran's neighbours, sources said.

Van Zyl said the environment could only be adequately protected by restricting port entry to "quality ships".

"In terms of the deal, we have the right to veto any ship coming into the bay," he said.

Industry sources suggested the recent approval of Iscor's environmentally sensitive Saldanha Steel project would add further weight to the acceptability of the deal.

"After the decision to go ahead with the Saldanha Steel project at Saldanha, the area's fate was more or less sealed, especially given the potential for downstream, job creating industries," said one.

"It will probably end up as a port with some parks and eco-tourism. I doubt that we can maintain an environmental sanctuary next to a major port," he said. — Reuter

And, though the focus was on growth and export, State officials also promised speedy action on supply-side and investment incentives packages, as well as a new antidumping policy

Trade & Industry Minister Trevor Manuel believes "that a target of 400 000 new jobs in the sector is eminently attainable" DTI director-general Zav Rustomjee adds that other targets include a 6% sustainable growth rate by 1999, helping the upstream chemical sector achieve global competitiveness, and effectively linking the capital-intensive upstream sector with the labour-intensive downstream processing sector

"While most other industrialised nations have evolved a culture of co-opera-

an investment incentives package, which will include tax breaks

"But Finance Minister Chris Liebenberg will first have to meet his fiscal commitments and we also have to take into consideration the effects of government's inherited R240bn national debt on such assistance packages. We had hoped that the incentives package would be budgeted for this March, but we may have to wait a little longer," he says

SA cannot compete for foreign investments with regions such as Southeast Asia and parts of South America, which offer highly attractive packages for foreign investors

Le Roux says any incentives package should be investor-neutral and should favour neither local nor foreign investors "And, though industry clusters are encouraged between local companies, alliances with foreign investors, which should include technology and skills transfers, would give a further important boost to the growth of the local petrochemicals cluster"

Meanwhile, a new antidumping policy would benefit SA's industrial sector, now under threat of post-Gatt imports

Board on Tariffs & Trade deputy chairman Leora Blumberg says "Though we have no intention of re-introducing industry protection under the guise of anti-dumping measures — as tariff measures are liberalised in terms of the Gatt

Uruguay Round — we need to find the proper balance to safeguard industry against unfair dumping practices (when goods are exported at below production costs), by devising World Trade Organisation-friendly measures"

Blumberg hopes to have policy details available "within the year" And, she adds, training of Customs & Excise staff would form an integral part of the "challenging" new policy focus

Industrial Development Corp senior economist Flip Kotze says government's supply-side policy proposals include financial assistance for industry training, development financing by the IDC and other statutory bodies, revision of the investments incentives package and of the regional industrial development incentives scheme, and a technology development programme

The proposals are now being thrashed out by the National Education, Development & Labour Council ■



Leora Blumberg need to find proper balance to safeguard industry

tion between their up- and downstream and service sectors and created voluntary industry clusters, especially in the export field, SA's history of separateness and protectionism has prevented this from taking place," says Rustomjee

"Now change is in the air and comparative advantages can be maximised," says London-based Chem Systems partner Terry le Roux, author of a recent study on possible future co-operation between the SA and Republic of China petrochemical and plastics industries

Le Roux says the "risk-averse" banking and financial sectors also need to be brought on board by informing and educating them that perceived high risk financing in downstream chemicals processing could become lucrative once the industries are better understood

Adds Paul Jourdan, special adviser to Manuel, the growth of the industrial cluster concept should be further enhanced by the current development of

CHEMICAL INDUSTRY

LIFTING THE VEIL

FM 2/2/96

Government revealed some tantalising glimpses of its evolving industrial policy during last week's Midrand get-together of the chemical, petrochemical, plastics and synthetic fibres industries



Check before switching to unleaded

(183) (183) ARG 3/2/96
CHARLENE CLAYTON
Business Reporter

UNLEADED petrol was introduced to South Africa for the first time this week at four cents a litre cheaper than leaded fuel — but motor vehicles not compatible with the new fuel could be seriously damaged.

Although almost 90 percent of the cars currently on the roads will be able to use unleaded petrol according to a comprehensive list compiled

by the National Automobile Manufacturers Association of South Africa (NAAMSA), about ten percent will not

The South African Chamber of Business (Sacob) has cautiously welcomed the introduction of unleaded fuel

"We need to do it to bring us in line with trends internationally. One of our chief concerns is the effect it will have on the minibus taxi industry," said Sacob manager Peggy Drodskie

Unleaded fuel has been introduced at octane levels of 95 at the coast and 91 inland and will replace the present 93 and 97 octanes

Initially unleaded fuel will be available from selected service stations only, but from May nearly all retail petrol stations will stock it, said Terry O'Donovan, chairman of the Unleaded Petrol Communications Task Group

The introduction of unleaded fuel was initiated by the motor

industry because of the need to produce vehicles that can be exported

Mr O'Donovan warned that people who are not sure whether their vehicles are compatible with unleaded fuel should stick with leaded petrol, which will still be available for 15 to 20 years

Lead is used in petrol as an inexpensive way of increasing octane levels in fuel or increasing an engine's resistance to knock

According to an independent consultant and mechanical engineer, Patrick Swan, certain high performance vehicles will not be able to use unleaded fuel because the octane levels at which it is being introduced are too low

In older vehicles, lead is used to lubricate the valve seats of engines and the use of unleaded fuel could cause poor operation, increased exhaust emissions and serious damage to cylinder heads.

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Mossgas burns as Cabinet dithers

(183) ST 4/2/96

THE Cabinet's dithering over the decision to throw Mossgas a lifeline may add R100-million to the budgeted cost of extending its lifetime beyond June next year, writes CIARAN RYAN

Drilling rigs and pipe-laying vessels lined up last year ahead of a decision on the future of Mossgas have now been redeployed in the North Sea. A flurry of oil exploration and drilling in the North Sea has absorbed much of the available capacity, and Mossgas will have to pay a premium for hiring specialists and equipment. Additionally, contract prices will have to be renegotiated.

"A decision should have been made in September last year," says David Day, business development manager at Mossgas. "This would have meant the satellite gas fields needed to replenish the existing FA gas field would have been in place by this time next year."

"Because no decision has been made, our backs are against the wall and we have no room for error. All our contingencies have been used up."

According to the Central Energy Fund, R443-million was needed to extend the life of Mossgas to 2001. The delays could push the cost up to R543-million, although Dr Day says there is still a chance that the final cost could be less.

Pik Botha, Minister of Mineral and Energy Affairs, admits a "sea of conflicting expert opinions" has bedevilled the decision-making.

"Eventually, the only way to find out whether 'would-be buyers' wanted to develop the satellite or the compression options was to go out there and ask them," Mr Botha says.

The Cabinet has appointed a team of advisers due to report back by the middle of the month, to test the market for potential private sector buyers.

Diesel, paraffin price hikes likely to be short-lived

BD 5/2/96

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Edward West

THE 9c/l diesel and 6c/l paraffin price increases from February 7 were likely to be swiftly followed by price cuts, industry sources said at the weekend.

Statistics from the Central Energy Fund showed the prices of a basket of international paraffin and diesel spot prices dropped sharply early in January, indicating room for local price cuts in the next few months.

The February increases, announced on Friday, followed a

rapid increase in demand for diesel and paraffin amid severe winter conditions in the northern hemisphere.

Government had also stepped in to cushion the full illuminating paraffin price increase because of the impact on poorer sections of the community.

Though illuminating paraffin prices should have increased 13c/l in terms of SA's pricing mechanism, government has suspended the 7c/l contribution to the Equalisation Fund for two months, at a cost to the fund of R4,9m a month.

Petrol prices, meanwhile, would fall 1c/l to 184c/l in Gauteng and 174c/l on the coast. The retail price of diesel is unregulated and the increase was applied to the wholesale margin.

A Road Freight Association spokesman said the diesel price increase would have a negative effect on inflation as statutory price increases were passed on to the consumer.

Econometrix economist Tony Twine said the diesel price increase was likely to move inflation up by 0,2%.

A TEXAN oil man would surely be puzzled by the letter from the Central Energy Fund (CEF) to potential buyers of Moss gas.

The fund, which manages Moss gas, would have grabbed his attention early in January with advertisements headed: "Disposal of Moss gas" Last week he would have received a letter reading "Government has decided to solicit proposals on the restructuring of Moss gas."

The switch from "disposal" to "restructuring" is one of the few concessions Moss gas's sellers have made to the careful debate on privatisation between government and the unions. Both sides have agreed that, in general, restructuring must come first — parastatals have to be trimmed and refocused. Only then comes privatisation.

Despite the difference between selling and restructuring, parastatal management and government have at times used restructuring when they mean privatisation to try to soften up the unions.

Here, government and the CEF have taken this hypocritical word-play to fresh heights.

The Texan might not be that interested in the terminology wars over privatisation. But he would be keen to know that the word change could reflect a struggle in government over the decision to sell Moss gas. For the talk is that there are some involved in managing the Moss gas sale who do not want to let go of it. Industry watchers and potential buyers say they might not quite want to sabotage the sale, or even be able to — but they could make it more difficult. The decision to put Moss gas on the market has not buried but instead intensified the politicking surrounding former president PW Botha's contribution to Mossel Bay's skyline.

When Minerals and Energy Affairs Minister Pk Botha asked the Cabinet to approve plans to "test the market" for interest in Moss gas at the end of last year, many government, fund and union officials privately felt there was little chance of

Tug of war over Moss gas may confuse potential buyers

MUNGO SOGGOT

a serious buyer coming forward and that Botha was just "going through the motions" of a sale. That way, he could ensure the extra government funding needed to prolong Moss gas's life.

Botha has to go to the Cabinet next month to seek approval for an R850m life-lengthening injection into Moss gas. He is expected to back his call for cash — a tricky call considering the Moss gas bill so far — with evidence that interested buyers would want to buy Moss gas linked up to the new satellite gas fields. These would give the current operation five more years.

The fact that until recently there has been barely a whisper from the unions about the sale bears out the case that "testing the water" was initially seen by many as a sham.

With this in mind, those anxious to keep Moss gas in state hands were quite content for the fund to appoint advisers and advertise — it was just a way, albeit an expensive way, of extending Moss gas's life and protecting its 1 200-strong workforce.

But when they realised there was a real chance that Moss gas could be sold off, and that Botha really did want a buyer, they became edgy.

Some of them argued that the words the Cabinet had approved — "test the water" — did not mean

Moss gas should be sold, and even hinted that Botha had overstepped his Cabinet mandate by putting it up for sale. It was suggested he had no backing from either the finance or trade and industry departments, which are intimately involved with the sale.

The catch is that the Moss gas sale is being monitored by a task team with representatives from both these departments, so if Botha had overstepped the mark he would have been brought to heel.

Any allegations of a breach of the Cabinet mandate have been entirely rejected by Botha, who is known for religiously ensuring that he does not go it alone or take any decisions without firm backing. He is, after all, a survivor.

In any case, Botha's department has pointed out that it would be a touch cheeky to invite companies to spend a lot of money investigating buying Moss gas and then say "sorry, we were only testing the water".

Even if the charge that Botha has overstepped the mark by instructing the fund to sell Moss gas is unfounded, the whispering reflects an unwillingness to sell.

The only credible motive for op-

1996/12/21

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thusiasm into getting the process on the road.

Its press release announcing the placing of advertisements was even emblazoned with the politically risky words "CEF makes first bold move towards privatisation".

The anti-sale team argues the switch to the word restructuring is a substantive victory and that joint ventures will be given preference. Botha's department is adamant that a sale is still on the cards.

Despite this, interested buyers are understood to have detected already the simmering struggle among those involved in the sale. They appear particularly anxious about the tensions between the fund and Botha's department over the issue. "You get the feeling they aren't on the same team," said one.

Reasonable offers do seem likely. Those interested say once the R11bn which was poured into Moss gas is forgotten, the plant will be an attractive proposition either as a crude oil refinery — SA's current refining surplus is due to run out before 2000 — a synthetic fuel plant or a chemical factory.

Any efforts to derail the sale would give out a very dubious signal to the rest of the world.

The letter to interested parties invites them to submit proposals by March 16 and says that government wants the whole process wrapped up by the end of the third quarter. Interested buyers have already expressed concern about the tight schedule. They are also anxious about the decision by those handling the sale to circulate any request for information and the subsequent reply to all other interested parties.

It would be a shame if the Texan, or any other buyer, did not get the chance to take over the reins of the plant, which might then stop being a political football. For the plant — one of apartheid's more painful legacies — could ironically go down in history as the new government's first successful privatisation.

□ Simon Barber's weekly column will appear tomorrow.

Macassar: AECI may pay up to R20m

ETE 7/2/96

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JOHANNESBURG: Chemicals giant AECI expects to pay out about R20 million in compensation for damages incurred by a poisonous sulphur cloud emitted from its factory in Somerset West on December 16 last year.

"The claims are not finalised yet, but we are looking at about R20m," AECI said yesterday.

Damages relate to crops, household items, illness and in, three cases, death.

The company's insurance underwriters have already settled 300 claims from residents of Macassar township, 2 500 of whom were evacuated when their homes were enveloped by a cloud of toxic fumes from a blazing sulphur stockpile

AECI's insurers had paid out R500 000 to address immediate medical costs of the 1 000 people who suffered injury from the accident — Own Correspondent

● See Page 15

AECI likely to pay R20m in damages for toxic cloud

By JAMES LAMONT

Johannesburg — Chemicals manufacturer AECI expects to pay out about R20 million in compensation for damages incurred by a poisonous sulphur cloud emitted from its factory in Somerset West on December 16 last year.

"The claims are not finalised yet, but we are looking at about R20 million," Fulvia Putero, an AECI spokesman, said yesterday.

Damages relate to crops, household items, illness and, in

three cases, death

The company's insurance underwriters have already settled 300 claims from residents of Macassar township, 2 500 of whom were evacuated when their homes were enveloped by a cloud of toxic fumes from a blazing sulphur stockpile.

Putero could not give figures for the 300 claims settled so far, but said AECI's insurers had paid out R500 000 to address the immediate medical costs of the 1 000 people who had suffered

OT(BR) 7/2/96

injury from the accident. However, according to a source in the Somerset West town council, the local media has reported that Macassar residents are not happy with the payments they are receiving from AECI.

Two hundred claims remain unsettled and more are expected. With hefty claims lodged by local farmers, who had their vegetable and flower crops destroyed by the toxic cloud, and claims expected for three fume-related deaths and

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some from local vineyard owners, Putero said the total compensation bill would be about R20 million.

AECI are due to give a progress report on the status of claims to the portfolio committee on agriculture in Cape Town today. The company is also anxious to begin negotiations with the government concerning the removal of the apartheid-era strategic stockpile.

The company wanted what it considered government property to be moved as soon as possible.

Sulphur: Macassar seeks new deal

CLIVE SAWYER (183)
Political Correspondent

THE Macassar Crisis Committee says it will break off talks with AECI unless a new deal is reached on compensation for victims of the sulphur cloud released from the chemical giant's Somerset West factory **ARG 7/2/96**

The committee wants a panel of medical experts and actuaries to be appointed to adjudicate claims

Speaking before giving evidence today to the national assembly committee on agriculture, water affairs and forestry, committee member Heinrich Magerman said his organisation was "extremely unhappy" about the way AECI was proceeding

The company announced yesterday it expected to pay out about R20 million in compensation. Claims have not yet been finalised

Three people died in December last

year when the toxic cloud was released. Crops, gardens and household items were damaged

Mr Magerman said his committee, which includes representatives from civic associations, the transitional council, RDP and community-police forums and the African National Congress, wanted parliament to press for the appointment of a commission of inquiry

He alleged that in terms of the current process of payment for compensation people were being asked to sign indemnity forms and then being paid as little as R250.

Mr Magerman claimed people lacked the confidence to argue their claims against the company and agreed to sign indemnity forms even though they were not satisfied.

Unless AECI agreed to a new process by tomorrow, the crisis committee would withdraw from negotiations

Warning on hazardous

AECI sulphur stockpile

ARG 8/2/96

(183) (56)

TYRONE SEALE, Political Staff

THE remainder of the AECI sulphur stockpile which caught alight and turned Macassar into a crisis zone more than a month ago is still intact and hazardous — even though precautions are in place

This warning was sounded to a parliamentary portfolio committee yesterday by Boet Coetzee, managing director of AECI Operations Services

Mr Coetzee said hazards persisted while the sulphur remained on site and the situation was not any more or less dangerous than it was at the time of the December 16 blaze in which the stockpile caught alight as a result of an encroaching bush fire

Three people, including two Macassar brothers, died when they inhaled the fumes produced by the blaze, and hundreds were treated for medical complications.

Thousands fled their homes to escape injury and farmers and private gardeners in Macassar and the Helderberg basin reported damage to commercial crops and other plants

According to Mr Coetzee, farmers alone have so far claimed R13,34 million in compensation, but with the help of an AECI-sponsored help desk farmers had been given advice to help them minimise losses

Mr Coetzee told the national assembly portfolio committee on agriculture and water affairs that while AECI did not want to shift any blame on to the Department of Trade and Industry, the department remained ultimately responsible for the strategic stockpile dating back to the sanctions era.

But as custodians of the stockpile,

AECI was taking precautions by keeping emergency services on alert, rehabilitating the surrounds damaged by the December fire and sprinkling the sulphur which was not soluble in water

AECI was prepared to assist the department of trade and industry in removing the sulphur by rail and taking it to a sulphuric acid plant or elsewhere.

Also at yesterday's meeting Mr Coetzee agreed his company would pay for legal representation for the victims of the December sulphur stockpile blaze in which three people died and hundreds were treated for health difficulties.

Mr Coetzee gave this undertaking in response to a call from National Party MP Pieter Saaiman who echoed the concerns of Macassar community representatives who attended yesterday's briefing

In line with a proposal from committee chairman Janet Love, all the parties concerned with the December 16 and 17 disaster agreed to take their differences on outstanding issues to the disaster management task team of the department of inter-government relations, formerly the department of provincial affairs and constitutional development

This committee will bring together the Macassar and Helderberg basin communities, AECI, the departments of agriculture, water affairs, environmental affairs and trade and industry as well as AECI staff and organised agriculture to see if claims and other issues arising from the disaster could be settled without a full, statutory commission of inquiry

ANC firm on govt of unity

THE ANC yesterday rejected suggestions that it was out of step with its rank-and-file supporters on the issue of a government of unity.

It was responding to a survey by Stellenbosch University's Prof Henne Kotze on the unity government's future

Government had helped lay a solid foundation in the quest to create a climate conducive to reconciliation, peace and nation building, the ANC said.

However, despite the role the unity government had played as a mechanism in the transition to democracy, the ANC believed that continuing its existence beyond 1999 would only make it an obstacle to full democracy

The ANC statement cited the recent local government poll results as proof the organisation had "overwhelming support" for its transformation policies. — Sapa.

Construction chiefs reject govt inquiry

Robyn Chalmers

THE construction industry has dismissed the need for a proposed government-led investigation of its failure to deliver low-cost housing, saying other impediments such as affordability should rather be addressed

The housing ministry and the Council of Southern African Bankers (Cosab) said this week the reasons contractors had not delivered had to be probed thoroughly Poor housing quality was also a problem.

Building Industries' Federation of SA executive director Ian Robinson said yesterday the industry had the resources and the will to get involved in low-cost housing, but other impediments were preventing this. "Poor access to finance and lack of affordability are the most important issues preventing the housing programme from moving ahead, and both are pretty much out of our control. We readily concede some stock produced in the lower market end has been of poor quality, but that is why the defects warranty scheme has been put in place."

The proposed probe followed a meeting last week between banks and government at which it was agreed action should be taken against defaulters who had refused to co-operate with the payment normalisation offer

Cosab CE Piet Liebenberg said the construction sector was an integral part of the housing programme. "If the sector has problems with delivery or finance and says the risks are too great, we must all sit down and discuss how these obstacles can be overcome"

A housing department spokesman said it was imperative that the construction industry was unified so negotiations could be co-ordinated The public sector had analysed its progress and its mistakes, and had come up with ideas to boost delivery

Robinson said he welcomed government's "refreshing self-criticism" The industry team was also looking at problems in the low-cost market Government's task team had failed to be specific about policy on incrementalism and minimum standards, he said

See Page 12

Mossgas staff seek partner for buyout

Mungo Soggot

MOSSGAS management and staff are considering bidding for the synthetic plant and are hunting for partners.

Mossgas spokesman Harry Hill said yesterday the management and staff were looking for a partner to put up the money, while Mossgas employees would provide the technical expertise He could not name any potential candidates, stressing it was early days. The Central Energy Fund

(CEF), which owns Mossgas, has invited interested buyers to declare their interest by March 15. It wants to sell the plant or arrange a joint venture by the end of September.

The CEF and the minerals and energy affairs department recently said they had not decided on criteria for picking a bidder — such as whether or not a foreign purchase or management buyout would be favoured It is understood the criteria can be set once all the bids have been examined.

CEF chairman Roy Pithey said Mossgas had told the fund it would consider bidding for all or part of the plant The fund had discussed this with Minerals and Energy Affairs Minister Pk Botha and with the government officials monitoring the sale, and they decided Mossgas was eligible to bid

Pithey said the extent of Mossgas interest would be known only when it handed in its proposals to CEF's advisers — Rand Merchant Bank, Deutsche Morgan Grenfell and consultants Arthur D Little

Botha sidesteps union demands over Mossgas

BO 12/2/96

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Mungo Soggot

MINERAL and Energy Affairs Minister Pik Botha has dodged union demands that the Central Energy Fund (CEF) slow down and align the Mossgas sale with the government and union pact on parastatal privatisation and restructuring.

Botha said at the weekend that Mossgas was a special case because the plant was rapidly running out of gas.

The pact, or National Framework Agreement (NFA), forces thorough consultation with unions on any restructuring or privatisation.

But Botha said the Cabinet decision to test private-sector interest in the Mossel Bay plant had preceded the signing of the NFA.

The Chemical Workers' Industrial Union said at the weekend that the CEF had refused, during talks last week, to consider how the Mossgas plans could be negotiated in terms of the NFA.

"The CEF, Mossgas and (state exploration company) Soekor are completely disregarding the spirit and procedures of the agreement," the union said. "In the absence of state policy or strategy in this area, management is driving these initiatives in an entirely ad hoc manner."

It called on government to bring the

"CEF and its subsidiaries to heel" and threatened to "resist all attempts by management to restructure Mossgas and Soekor unilaterally".

But Botha questioned the union's request to negotiate further on the current round of retrenchments. It did not represent those facing the axe, he said, and the employees concerned had accepted retrenchment packages which were better than the social plan the union wanted.

Botha also said "We came to a mutual understanding that the Mossgas case was different because of its unique dilemma".

It had been agreed that the current wave of retrenchments at Mossgas and Soekor — which has said it is preparing for privatisation — could go ahead, but that any further retrenchments would have to be thoroughly debated. However, he called on CEF, its subsidiaries and the union to "sit down again and resolve the matter".

CEF chairman Roy Pithey said there had been extensive consultation with the unions.

Botha is due to go to the Cabinet this month to seek approval for a further R850m life-lengthening investment in Mossgas.

The CEF said it wants the entire sale process sorted out by the end of September.

Chemserve profits from a healthy first half

(183) CT (Amr) 13/2/96

By CHARLOTTE MATHEWS

Johannesburg — Chemical Services (Chemserve), the AECI-controlled group that makes and distributes speciality chemical products, increased profit by a third in the year to December compared with 1994 due to a strong performance in the first six months.

Lex van Vught, the managing director, said in an interview yesterday that Chemserve had felt the pinch of higher input prices in the second half of the year as a result of the upturn in the commodities cycle. The effect on the group is delayed by about six months, so the

effect of weaker commodity prices in the final quarter of last year would only be felt in mid-1996.

Group turnover rose 21 percent to R900 million and operating margins improved to 9,8 percent from 9,5 percent. Van Vught said the better margin was approaching the group's objective of 10 percent. It partly reflected the good first half and partly reflected a turnaround in some companies that had underperformed in 1994.

Finance costs rose to R10,4 million from R7,5 million previously, in line with interest-bearing debt of R62,2 million from R39,8 million. Higher debt partly reflected the

acquisition of DB Silicones in March last year and partly reflected the need for more working capital as a result of livelier trading. However, debt was down from R83,4 million at the interim stage and gearing was only 35 percent.

Net income rose by 33 percent to R43,3 million, equivalent to earnings of 673c (506c) a share before the 10-for-1 share split on January 1. A dividend of 210c (176c) has been declared on the pre-split price.

Chemserve spent about R22 million on capital expenditure last year, of which about R10 million was on expanding production. The rest was for maintenance. A similar amount

was budgeted for this year.

Van Vught said that Chemserve, in line with other industrial companies, was raising productivity rather than increasing the number of employees.

DB Silicones was Chemserve's last large acquisition. It later bought one of DB Silicones' subdistributors for a minor sum to rationalise the silicone distribution market.

The group was considering two acquisitions. With gearing at 35 percent, it could afford a number of sizeable acquisitions for cash.

He said the improved profit had come off a high base and would be difficult to repeat this year.

Theft of medicine increased to R1,2bn last year — police

Jacqueline Zaina

PHARMACEUTICAL manufacturers' theft claims escalated to R1,2bn last year, with stolen medicines intended for the state having found their way into pharmacies, undermining manufacturers' higher margin private sector sales.

Capt Daan Davis of the SA Narcotics Bureau said yesterday that total losses claimed by manufacturers had increased to R1,2bn from R1bn in 1994 and R750m the year before. Pharmaceutical Manufacturers' Association CE Myrienna Deeb said increased theft of medicines destined for the state severely affected manufacturers because private sector sales were on average ten times more profitable.

The issue was of continuing concern to the industry as it undermined the cost subsidisation system in terms of which discounts to the state were covered by higher margins on private sector sales, she said.

Davis said the bonus system, in terms of which doctors received bonuses and samples from manufacturers and often sold extra stock back to wholesalers, meant it was no longer mandatory for wholesalers to buy from original sources. This had created a loophole for stolen medicines to be sold back into the private sector.

While the police were investigating pharmacy owners and dispensing doctors, most unknowingly bought state medicine which had been repackaged for sale in the private sector.

SA Druggists CE Peter Beningfield said a marked increase in state sector theft over the past four months would help depress interim earnings growth to below 15%. However, the group remained on track to achieve its forecast 15%-17% earnings growth for the full-year.

Premier Pharmaceutical Company chief financial officer Hymie Shapiro said the group, which primarily supplied the private sector, had experienced minimal shrinkage.



White elephant CEF is punting for an R850-million injection into Mossgas

Transforming the animal of apartheid economics

(183) MTG (AMM) 16-22/2/96

CEF believes that Mossgas must be transformed before it can undergo privatisation, reports **Aspasia Karras**

CEF general manager Kobus van Zyl approaches his job like a hardened sailor. "Just because you are an animal from the apartheid era does not mean you must be bad — one of those guys who must appear in Archbishop Tutu's courtroom."

But the CEF is precisely that — an animal of apartheid economics.

Not to be confused with the Central Energy Fund which it controls along with most of the governments liquid fuel interest, CEF (Proprietary) Limited is the governing body of the SFF association Soekor Mossgas, and Syncat.

Established in 1964 with the formation of SFF to procure and store crude oil for South Africa's transport needs, CEF has diversified in the energy sector making Anglo-American claims that more than 50% of the market is tied up with the state conservative.

The CEF is the link to most hot potatoes in the energy sector it administers the following:

- the Mossgas tender on the international and local markets
- Refsa the solar energy contribution to the Reconstruction and Development Programme and
- it is financing a R500 000 environmental study in Saldanha so it can go ahead with a crude oil joint venture with Iran.

"There is a lot more to this operation than meets the eye," says Van Zyl. "If you are not involved you would not know we can manufacture medicine."

In short CEF is the holding company for the state's strategic oil trad-

ing arm SFF all its oil and gas exploration off-shore production and downstream beneficiation of fuel as well as catalysts. It also controls the patenting and developing of the patents in the field through Cotec.

Governing body chairman Roy Pithey says "It is ironic that we should be approaching self sufficiency in liquid fuel production when sanctions have been dismantled and imported oil is readily available."

Which leads to the inevitable question — what is the parastatal's position and role in the new South Africa?

Minister of Mineral and Energy Affairs Pk Botha argues there is no government in the world that would completely deregulate or remove itself from the oil industry. "It is simply a strategic commodity you can not deregulate overnight you have to phase it out negotiate."

This is where Van Zyl steps in. For him the future of CEF is clearly defined by his feeling that some organisations are apartheid dividends. "We have a history whether it is commendable or not does not matter, you have got these operations whether they are making profits or contributing to technical expertise and research you cannot just say, let's close them down."

Van Zyl sees CEF as a group of expert managers engaged in the management of the state's liquid fuel interests. He says government involvement is to "ensure these organisations are restructured in an optimal way. It may be true that we do not need this level of government involvement in industry but some industries must go through transformation before they can be privatised."

This is how CEF understands Mossgas. It is punting for an R850-million injection so that Mossgas can be transformed and earn the government a potential net income of R2 510-million.

The R11-billion it cost the government should simply be written off. Pithey says privatisation will highlight Mossgas full potential.

Van Zyl is typically blunt about the situation. "This is a political debate new politicians see it as an apartheid symbol like the paintings in Parliament while the old politicians see it as a burden and just want to wish it away. But if you look at it purely economically, it is a cash positive asset. It is clear we must invest and politics must move out of it."

An understandably difficult goal for a company set up by the state to achieve.

Its position will hopefully be clarified by the work of the Mineral and Energy Affairs portfolio committee chaired by Marcel Golding, which is investigating CEF's role and appointing a new board of directors.

But for now the Refsa solar electrification scheme illustrates that the CEF continues to see an active role for itself, even as provider of electricity to remote rural households.

The parastatal might be changing into a new kind of animal but what that animal is is hard to say. It is tempting to just ignore it.

Van Zyl suggested as much himself. "Why should they want to know — to hell with transparency," he teased.



Kobus van Zyl

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GW 6541

Sulphur fire victims demand state action

MTG 16-22/2/96

(183)

The lackadaisical response of government to last year's massive sulphur fire at the AECI plant near Somerset West has confounded experts, reports **Rehana Rossouw**

REPORTS of bronchitis, lung infections and asthma-like illnesses are rife in the 35 000-strong community of Macassar after it was smothered by a cloud of sulphur dioxide gas on December 17 last year.

The township was thrown into turmoil when a government sulphur stockpile at the adjacent AECI factory caught fire. About 2 500 people were evacuated in the early hours of the morning and the fire was extinguished 20 hours after it started, but not before two brothers died following suspected respiratory complications.

The Macassar Crisis Committee, formed after the incident, says about 1 000 people have been paid between R250 and R1 000. So far, no claims for personal suffering have been submitted.

The committee has been attempting to draw government attention to the plight of Macassar's residents. It has earmarked President Nelson Mandela in particular, as he has the authority to call for a commission of inquiry into the incident.

The committee wants the inquiry to investigate the effect of the fire on people's health and their environment, the emergency measures in place at AECI, the province's emergency resources, and how much longer and under which conditions the sulphur will continue to be stockpiled.

Committee chairman George Liddle said he had sent a letter to Mandela last month appealing for an inquiry. The only response was a standard letter from the president's office acknowledging receipt of his letter.

This week, Mandela's spokesman, Parks Mankahlana, said the request for a commission of inquiry had been forwarded to the Ministry of Environment Affairs and Tourism.

The ministry confirmed it had received the request, but a spokesman said it had in turn been referred to Western Cape MEC for Finance Kobus Meiring.

His spokesman Pieter Coetzee said the request had been received and

Meiring was "looking into the matter".

AECI supported the request for a national commission of inquiry and would provide its full co-operation, said company spokesman, Mike Blizzard. The company had started an internal investigation within days of the fire.

Liddle said he has had to use an inhaler daily since the fire. "I've never used one before, but I often strain to breathe. Many people have bronchitis and we're all very scared. We're putting all our hopes into the president to get a commission to find out what's wrong with us."

Many people have bronchitis and we're all very scared. We're putting all our hopes into the president to get a commission to find out what's wrong with us

While medical experts are still determining the lasting effects of the fire on the community, residents are becoming more alarmed. They blamed the fire for two more deaths in January, but an official determination can only be made after an inquest.

A teacher at Zandvliet Secondary School in Macassar, Edward Jephtha, said his wife and daughter had been constantly sick since the fire. There also seemed to him to be a high incidence of bronchitis among colleagues and pupils at the school.

"My daughter Carlie, who is 14 months old, has had bronchitis since a week after the fire. My wife has a lung infection. Both went to the doctor for the third time last week, and were put on stronger medication," Jephtha said.

"I can't prove that it's because of the fire, but I'm definitely worried. Carlie often can't sleep at night because her lungs are so congested, and she's never been sick for so long."

Dr Neil White, of Groote Schuur Hospital and the University of Cape Town's respiratory clinic, examined 400 Macassar residents in three days

after the fire. He intends doing follow-up visits to determine the longer-term medical effects of high exposure to sulphur dioxide.

"The gas is an irritant which affects the eyes, nose, throat and respiratory tract on contact. Most people we examined immediately after the fire reported those symptoms," White said.

"People who have asthma are very sensitive to exposure and it is guaranteed to bring on an attack. It seems to have had quite a prolonged effect subsequently and people are still dribbling in from all over the Peninsula with complaints."

White was particularly concerned about the long-term effects of the fire on children, whose lung function was difficult to assess, and frail people.

"I've tried to do some research, but I haven't found a single similar event described and published. I also haven't found a disaster on this scale anywhere in the world. Everything I've been doing so far I've had to cobble together myself."

White said he was concerned that not enough was being done to prevent a disaster like this happening again. He hoped the province's disaster plan would be reviewed soon, although the ambulance and fire staff were extremely courageous under difficult circumstances. "If this is the way we respond to a disaster like this, what will happen if the Koeberg nuclear power station explodes?"

After his follow-up visits, White will produce a report detailing the medical effects of the fire on residents.

Dr Eugene Cairncross, a chemical engineer at the Peninsula Technikon, said he was also very concerned that it appeared the authorities were "ducking their heads and hoping the problem would disappear".

"We need an investigation into why the incident happened in the first place, why it was not contained after the fire started, and what the implications are for other hazardous sites in the country."

"The investigation needs to draw scientific conclusions about the effects of the fire so that we can make the information available to the rest of the world. It is our duty to the communities affected and to the scientific community."

Sulphur fire victims demand state action

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Liddle said he has had to use an inhaler daily since the fire. "I've never used one before, but I often strain to breathe. Many people have bronchitis and we're all very scared. We're putting all our hopes into the president to get a commission to find out what's wrong with us."

Many people have bronchitis and we're all very scared. We're putting all our hopes into the president to get a commission to find out what's wrong with us

While medical experts are still determining the lasting effects of the fire on the community, residents are becoming more alarmed. They blamed the fire for two more deaths in January, but an official determination can only be made after an inquest.

A teacher at Zandvliet Secondary School in Macassar, Edward Jephtha, said his wife and daughter had been constantly sick since the fire. There also seemed to him to be a high incidence of bronchitis among colleagues and pupils at the school.

"My daughter Carlie, who is 14 months old, has had bronchitis since a week after the fire. My wife has a lung infection. Both went to the doctor for the third time last week, and were put on stronger medication," Jephtha said.

"I can't prove that it's because of the fire, but I'm definitely worried. Carlie often can't sleep at night because her lungs are so congested, and she's never been sick for so long."

Dr Neil White, of Groote Schuur Hospital and the University of Cape Town's respiratory clinic, examined 400 Macassar residents in three days

after the fire. He intends doing follow-up visits to determine the longer-term medical effects of high exposure to sulphur dioxide.

"The gas is an irritant which affects the eyes, nose, throat and respiratory tract on contact. Most people we examined immediately after the fire reported those symptoms," White said.

"People who have asthma are very sensitive to exposure and it is guaranteed to bring on an attack. It seems to have had quite a prolonged effect subsequently and people are still dribbling in from all over the Peninsula with complaints."

White was particularly concerned about the long-term effects of the fire on children, whose lung function was difficult to assess, and frail people.

"I've tried to do some research, but I haven't found a single similar event described and published. I also haven't found a disaster on this scale anywhere in the world. Everything I've been doing so far I've had to cobble together myself."

White said he was concerned that not enough was being done to prevent a disaster like this happening again. He hoped the province's disaster plan would be reviewed soon, although the ambulance and fire staff were extremely courageous under difficult circumstances. "If this is the way we respond to a disaster like this, what will happen if the Koeberg nuclear power station explodes?"

After his follow-up visits, White will produce a report detailing the medical effects of the fire on residents.

Dr Eugene Cairncross, a chemical engineer at the Peninsula Technikon, said he was also very concerned that it appeared the authorities were "ducking their heads and hoping the problem would disappear."

"We need an investigation into why the incident happened in the first place, why it was not contained after the fire started, and what the implications are for other hazardous sites in the country."

"The investigation needs to draw scientific conclusions about the effects of the fire so that we can make the information available to the rest of the world. It is our duty to the communities affected and to the scientific community."

MOSSGAS

TAIWANESE JUMP SHIP

(183) FM 16/2/96

Hopes of finding a buyer for Mossgas faded further this week with the announcement that Taiwanese petrochemical giant Tuntex had found greener pastures in southeast Asia

The company, according to diplomats, has indicated its own views on the investment outlook at Mossgas by "voting with its feet" and investing in a "gigantic catalytic cracker" in Thailand

Mineral & Energy Affairs Minister Pik Botha previously indicated that Tuntex was a candidate for an ambitious petrochemical complex at Mossel Bay, using the existing Mossgas synfuel refinery

A major reason for the Tuntex decision appears to be the lack of a supply-side investment package which includes tax holidays or write-offs — as well as the stormy history of labour relations "The combination of SA's still relatively uncertain domestic politics, its lack of a competitive investment tax incentives package and the Chemical Workers' Industrial Union reportedly opposing the Mossgas selloff is probably enough to scare our investors away," says Taiwan ambassador I-Cheng Loh

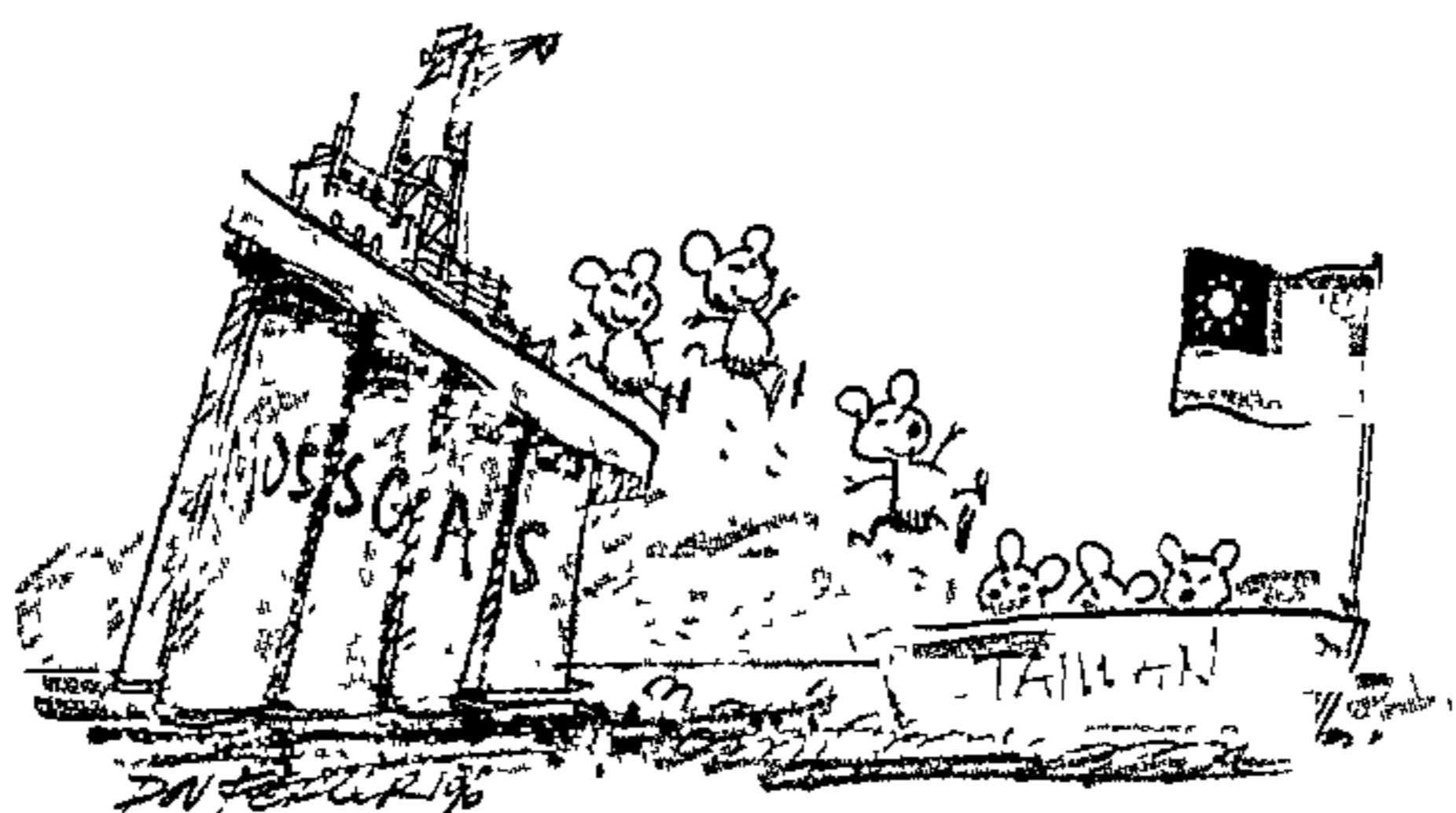
Seen as one of the best bets for the salvation of the project, the departure of Tuntex leaves Botha with the unsavoury task of presenting Cabinet with the decision on whether R850m should be invested to extend the life of what has become former President P W Botha's "legacy to the nation"

But the Cabinet decision, says the Energy Minister, will be subject to imminent recommendations expected from its financial and technical advisers (Rand Merchant Bank and London-based Arthur D Little) regarding any possible private-sector offers for the R11bn gas-based synfuel plant

The private sector has been invited to make proposals on any other investment uses for the massive plant. To date, about 40 international companies have expressed an interest

With gas reserves quickly heading towards "empty," the decision will have to be taken this month on whether to allow Mossgas to invest the R850m from its own cash flow to develop the so-called FA satellite gas fields (FAR and FAH) and compression to existing reserves

The investment would allow Mossgas



imported crude oil import equivalent of Mossgas's 40 000 BPD production "

Theo says that, in the final analysis, a total investment of about R1,4bn would give a real return of 8% over the next nine years "There is a real advantage in proceeding with the investment "

Not so, says SA Petroleum Industry Association spokesman Colin McClelland

"Even if government should pay a private operator R100m to take over Mossgas, it would save a lot of money. The annual cost of subsidising and protecting the synfuel operation is about R365m, a quick sale would also save the R850m investment outlay. Closing the plant could cost about R1,2bn, which taxpayers would also have to fork out. Lastly, the argument that Mossgas saves about R600m/year in forex is

fallacious as SA has a surplus crude and synfuel production capacity, with Sasol and the oil majors able to produce more than the country can use " ■

to continue producing synfuel — at current rates of about 45 000 BPD crude oil equivalent — up to about 2001. After that, says Mossgas MD John Theo, a floating production facility would have to be installed on the EM field (about 50 km west of the platform) at a cost of R650m. This would extend the "life" of the synfuel operation to about 2005

Theo, meanwhile, is clutching at straws in announcing that "we are also looking into the possibility, together with Sasol, of exporting upgraded alcohol from our existing streams, which could add R100m/year to our cash flow "

Theo attempts to make a case for the R850m investment "In the 1994-1995 financial year, our operating surplus (tariff protection and the synfuel levy included) was R517m. If tariff protection is excluded, the net positive cash flow would still have been about R240m — and we have calculated the net figure as our funding source for the R850m investment over two or three years. No extra fiscal or loan funding would be needed — and the investment would allow Mossgas to continue saving about R600m a year on the

Shell accused of 'buying influence' in SA

By CHARL de VILLIERS

(183)
ST(m) 18/2/96

PETROLEUM giant Shell has been accused of "buying influence" after participants in a survey, including some South African politicians, were offered R200 to answer questions last year about Shell's handling of the crisis in Nigeria

The payments were confirmed by a Research Surveys representative in Cape Town, who said the money was offered as a donation to charities identified by the respondents

Shell became the target of an international protest campaign after nine pro-democracy activists, including distinguished writer Ken Saro-Wiwa, were executed by the Nigerian military dictatorship on November 10 last year

Critics charged that the multi-national petroleum company, one of 14 in the oil-rich West African state, had not used its influence with the country's rulers to stop the hangings.

A spokeswoman for Research Surveys said: "Shell commissioned us to research non-governmental organisations and politicians as it wanted to know the leanings and tendencies of various organisations"

The financial donation had been a "token of appreciation" and was a normal procedure in all "focus group" discussions managed by market researchers

Shell corporate affairs manager Koosum Kalyan this week said the survey, conducted late last year, was a standard company procedure

"We set out to establish the opinions of various people as to the way in which we had handled the Nigerian situation," she said

She said she had received a copy of the Research Surveys study on Wednesday, adding "It has shown that a lot of people do not support boycotts."

Peter van Heusden, co-ordinator of the Campaign for Democracy in Nigeria, said Shell had used the survey to "buy influence".

Energy fund 'should be wound down'

(183) (SS) BD 19/2/96

Mungo Soggot

THE International Energy Agency has recommended government scrap most of the functions of the Central Energy Fund (CEF), which the agency considers wasteful and obsolete

The agency is part of the Organisation for Economic Co-operation and Development

The proposal is in the draft of a wide-ranging report on SA's energy affairs. The minerals and energy department will refer to the report when drawing up the energy policy White Paper

However, Mineral and Energy Affairs Minister Pik Botha is also referring to the work of government-appointed consultants

In a report released yesterday the consultants came to different conclusions

about the future of the CEF

The international agency report finds that most of the activities of the fund, which houses all the state's sanctions-busting oil operations, should be wound down. It focuses on its oil trading arm, the Strategic Fuel Fund (SFF), which runs the massive strategic storage tanks

"The need for the state to own or conduct most of the activities of the CEF is questionable"

During the oil boycott, all SA refineries bought crude oil from the SFF which successfully bought oil despite the maze of sanctions. Since then most have sourced their own crude. The SFF, however, still trades oil. The profits go to the CEF and ultimately to government, as do losses.

Continued on Page 2

Energy fund (SS)

Continued from Page 1

(183) BD 19/2/96
The agency says country-to-country oil deals are of little practical value to refiners as refiners need particular types of crude for their refining needs

It also rejects the idea that government deals get cheaper crude

"Given the current world oil market and taking into account limited government resources, there is no case for government to be involved in state-to-state oil-buying arrangements"

It says any government subsidy for SFF should be confined to maintaining an adequate strategic stockpile, which other observers have pointed out is not as vital for SA because of Sasol

The draft report's findings are at

loggerheads with a management audit of SFF

The audit report recommends government enforce mandatory purchases by SA oil refiners from the SFF. At present the percentage of oil bought from SFF stands at an unenforced 20%. It said the slice should go up to 40%, adding that "government must continue to be able to enforce mandatory purchases of SFF's crude imports, to ensure SFF's survival and viability"

Botha appointed the audit after allegations that the SFF had sold a lot of the oil it claimed to have at Saldanha and Ogies. The report, by London-based consultants Inspectorate, gives the SFF a clean bill of health

It says the CEF should be restructured away from its sanctions-busting past to become an agency which helps bring energy to rural communities

Botha moves to defuse Mossgas dilemma

BD 19/2/96 (183)

Mungo Soggot

MINERAL and Energy Affairs Minister Pik Botha has moved to defuse a potential crisis at Mossgas, following the Chemical Workers Industrial Union's threat to oppose further investment in the plant, by calling an urgent meeting today between the Central Energy Fund (CEF), Mossgas management and the union.

The union kicked off a mass-action programme on Thursday and said it would oppose further investment in Mossgas unless it was allowed a stronger say in changes,

including the privatisation moves currently under way.

Industry sources said that as it was a Cosatu-affiliated union, its threats were not to be taken lightly. Botha will soon go to the Cabinet to put the case for a R850m capital injection into Mossgas.

The union said management and the CEF had rejected calls for an "inclusive and transparent restructuring", despite the recent signing of the National Framework Agreement which dictates extensive consultation with unions on changes.

The union, which represents

only 16% of Mossgas's 1 200 workers, staged a demonstration last week and said it would take further action this week. On Friday a spokesman at its Western Cape branch said it would attend the meeting, but was "not hopeful" about the outcome and was preparing for further action.

Mossgas MD John Theo said the union appeared to be confused between restructuring designed to improve efficiency — such as the current 160 job cuts it was objecting to — and the more dramatic restructuring covered by the agreement.

Department told to recruit experts

BD 20/2/96 (183)

Mungo Soggot

THE International Energy Agency has questioned the minerals and energy affairs department's approach to policy-making, particularly its outlay on outside consultants, which came to R15,7m this fiscal year

The agency — part of the Organisation for Economic Co-operation and Development — said in its draft survey of SA's energy sector that the department had neither the staff nor the skills to deal with the enormous changes in energy policy that were needed to bury the old order.

It said that instead of spending heavily on "off campus" policy advice by bodies such as the ANC's Minerals and Energy Policy Centre and the University of Cape Town's Energy for Development Research Centre, it should build up a professional public service.

Of R15,7m spent on outside consultants, R3,7m went on salaries, it said

Many of these consultants drafted the discussion document Green Paper, which should become a White Paper this year. The department has indicated it will refer to the agency's report when writing the White Paper

The agency sympathised with

the department's fear that it was "old guard" and so had to take on advice from more politically acceptable think tanks.

The department is staffed exclusively by whites and is seen as an NP stronghold

However, the agency questioned Mineral and Energy Affairs Minister Pik Botha's desire to set up a national energy policy forum, which would house these consultants as a permanent think-tank. This would "blur the lines of accountability for policy analysis", the report said

"The government should strengthen the professional civil service, ensuring its legitimacy and competence to perform the policy-making role, accountable to the elected government."

It said that in the past policy had been set by parastatals themselves, such as Eskom and the Central Energy Fund. This had to change

The agency applauded the wide consultation undertaken by the department, but said there appeared to have been some "consultation fatigue".

It believed that the department would have to guard against allowing excessive consultation to delay the taking of important policy decisions, it said

Draft report recommends that synfuel production be capped

Mungo Soggot

GOVERNMENT should cap synfuels production while it enforced a captive market for subsidised synfuels manufacturers Sasol and Mossgas, the International Energy Agency said in its draft report on SA's energy sector

The agency said that to allow an increase in synfuels production "under cover of protection and subsidy would further distort the petroleum market and make it less amenable to a smooth transition to an unfettered market"

Under the current system, SA's crude oil refining companies are obliged to buy Sasol and Mossgas's synthetic fuel. In return for this burden, they get guaranteed margins and enjoy regulations barring new entrants to the fuel retail market

The agency, part of the Organisation for Economic Co-operation and Development, said the miner-

als and energy affairs department should move towards deregulating the complex regulations of the sanctions era. The department has already signalled it favours a gradual deregulation, fearing the impact of rapid deregulation on employment in the sector

Sasol's subsidy should be buried, the agency said, adding that any form of subsidy should be implemented in a transparent way. Government decided in December last year to halve Sasol's R1,1bn subsidy and phase the rest out over five years. Both Sasol, which is privately owned, and the Central Energy Fund's Mossgas enjoy these subsidies.

Minerals and Energy Affairs Minister Pik Botha said recently the agency's report would be used when drafting the White Paper on energy policy this year

The report's most controversial suggestion has been to effectively ditch the armoury of sanctions

dodging operations housed within the Central Energy Fund. It said there was no need for either a state oil trading company or a state exploration company, and said Mossgas should be privatised — a process already under way

The agency also said government had to develop a coherent electrification policy to meet future demand and recommended it set up an energy efficiency agency

It cited the lamentable state of energy statistics as a key barrier to developing an appropriate energy policy for the post-apartheid SA's needs. The agency said existing measures to combat pollution were deficient, with an emphasis on self-regulation

It suggested that electricity policy be brought under one government roof as soon as possible. It is now shared between minerals and energy affairs and the public enterprises department, which is responsible for Eskom.

Union lays down law on future of Mossgas (183)

Mungo Soggot

THE Chemical Workers' Industrial Union said yesterday it would support further investment in Mossgas only if it was not sold but instead combined with Sasol and Engen into a state-owned national oil company.

At a meeting arranged by Mineral and Energy Affairs Minister

Pik Botha, Mossgas management yesterday finally accepted the Cosatu union's demands that it be consulted on imminent retrenchments and the long-term plan for Mossgas.

A union spokesman said management's decision to talk about the plant's future was a move in the right direction. The union wanted a

say in Mossgas's restructuring in line with the recently struck National Framework Agreement on restructuring and privatisation, which dictated a strong role for unions in any move

Despite the fact that the Central Energy fund, which owns Mossgas, was already advertising for private sector buyers, the union adamantly op-

posed privatisation. Instead it wanted Mossgas to become part of a giant state oil company — an idea which it is understood is being pushed by trade and industry department special adviser Paul Jourdan. The idea has been largely rejected by the industry

The union represents only about 16% of Mossgas's workforce

BD 20/2/96 (183)

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FOI

Engen on the road to recovery

THE SPIRA INTERVIEW

Engen has convincingly turned the corner followed last year's precipitous 72 percent earnings decline in the twelve months to August

That's the word from chief executive Rob Angel, who says 1994-95 was a period in which Engen took a lot of medicine. The patient is recovering and the signs of recuperation will be evident in the results for the six months to February this year.

"We were subject to a lot of criticism last year at a time when all the oil companies were taking strain. Engen bore the brunt of it because it is the only JSE-listed oil company. Sasol, of course, is a very different animal," he said.

Factors which started to turn Engen around are the success of its rationalisation programme and better customer focus. Improvements in refinery operations following the R1,5 billion upgrade of its huge Durban refinery also played a role.

"We had several top people working full time on improving efficiencies and slimming down the operation. We have spent the past three years, and particularly the past year, getting focused.

"Those efforts are now beginning to bear fruit. The full impact will not, however, be felt overnight."

Margins remain a problem for all the oil companies.

"It has been more than three years that we've been stuck with the same wholesale margin, which accounts for about 7,5 percent of the total fuel price. And during this

period we've had to bear inflation related cost increases," Angel said.

The industry has been actively lobbying the government for relief but Angel was not prepared to commit himself as to the outcome.

Funding the upgrading of the refinery caused debt to mushroom to nearly R2 billion. Engen has not yet been able to make any marked inroads into the gearing burden but Angel expects borrowings to come down "fairly rapidly" as the benefits of the upgrade start bearing fruit.

A most exciting development for Engen is the pending listing of oil exploration subsidiary Energy Africa. Engen plans to retain a 60 percent stake in the company.

Angel says foreign institutions in particular have expressed enthusiasm. He is confident the \$80 million to \$100 million Energy Africa is seeking will be forthcoming.

And he is optimistic over Energy Africa's future.

"It has a good base income in the form of the operating North Sea Alba field and its future focus on West Africa. I have every hope that our west African exploration programmes will bear fruit, particularly following our investments in the giant n'Kossa field off the Congo, which will commence production in



June this year, and the discovery well that was drilled in the nearby Moho area recently."

He describes as a misconception the view that

Engen is injecting resources into exploration to secure crude for its refineries.

"We have access to all the crude we need. We're pushing ahead on the exploration front because we believe the results will be beneficial to shareholders and also because we seek to achieve a better balance among our sources of earnings," he said.

Deregulation has been frustrating. "It's difficult to come to terms with the way the authorities mess around with the basic price."

"Last year the changes they made cost us about R150 million — a burden not widely recognised."

"You can't afford to sit back and watch your cost base go up by 10 percent every year without any compensating improvement in margin."

Angel is concerned that investors will look at Engen critically on the basis that what the authorities might decide to do next year is a mystery.

"Investors seek certainty. They don't like being exposed to stroke of the pen changes. And they're understandably unhappy with the

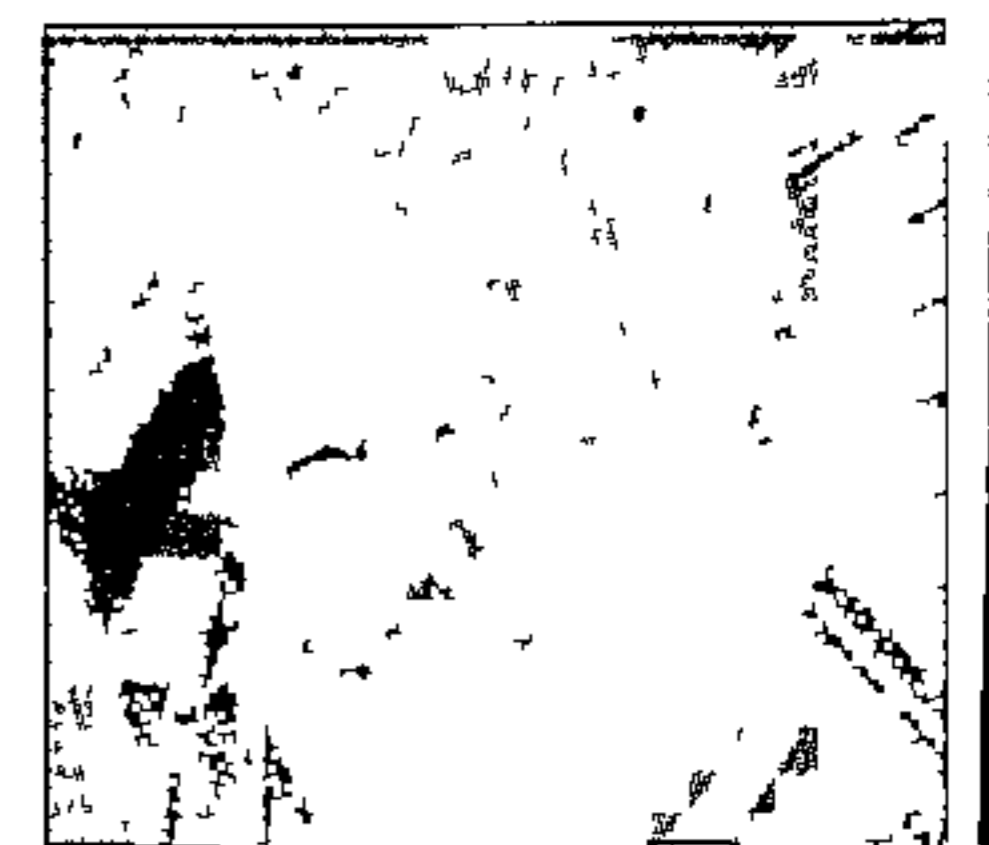
proposition that the oil industry in South Africa won't invest its money until it knows where it stands in terms of regulation."

Engen, says Angel, began the deregulation lobby and took "quite a bit of flak" from others in the industry. What bedevilled the deregulation process was that other interest groups got involved and "overwhelmed" the industry's input.

Engen was ready for the short-term adverse effects which would follow deregulation. The danger lay in deregulation taking the form of re-regulation, a "consolidation of more of the same," he said.

Angel said although he sympathised with those who opposed deregulation, it was inevitable.

In spite of last year's slump, Engen's shares have held up remarkably well. The market clearly expected the turnaround of which Angel is so confident. Currently at about 2700c, they are 600c above last year's low, but need to double from the present price to reach the heights achieved early in 1993.



UPBEAT Engen chief executive Rob Angel. PHOTO: JOHN WOODROOF

(183) CT (MR) 26/2/96

Sentrachem, Bayer in R500m chrome venture

Mungo Soggot

GERMAN chemicals group Bayer is teaming up with Sentrachem to invest R500m in a joint venture chrome chemical plant in KwaZulu-Natal

Sentrachem and Bayer SA said yesterday each would have a 50% stake in the new operation, at Sentrachem's Karbochem site at Newcastle.

The plant would be one of the world's largest chrome chemicals operations, producing 70 000 tons of sodium dichromate a year, 80% of which Bayer would export and market.

It was due to start up in early 1998. About 1 200 people would be employed during construction and it would then have a permanent staff of 100.

The operation would also produce 10 000 tons of chromic acid a year. Both sodium dichromate and chromic acid are used in the leather and metal treatment industries.

The link-up follows Bayer's announcement this year that it would

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move its chrome chemical production from Germany closer to the raw materials needed. Bayer said the move would also bring its chrome chemical operations closer to final markets.

The company owns a chrome mine in Rustenburg and a chrome tanning salt production operation in Durban.

Sentrachem's senior management were unavailable for comment

The deal represents another major step by Sentrachem, which bought US speciality company Hampshire Chemical Corporation for R850m last year. Sentrachem subsequently tapped the international equity market in November, negotiating a \$55m global depositary receipt issue

It has embarked on a radical operational shake-up, cutting out downstream manufacturing while focusing on a determined export drive. Stronger exports and higher chemical prices lifted earnings 75% to R210m for the year to August. But Karbochem's contribution fell after an import tariff cut

Fuel fund GM calls for its privatisation

Mungo Soggot

THE Strategic Fuel Fund, the oil-trading division of the Central Energy Fund, should be privatised, GM Kobus van Zyl said yesterday. Government should then draw up a contract with the privatised company obliging it to maintain a strategic stock of fuel.

Van Zyl's comments follow the conclusions of a report by the International Energy Agency, which has questioned the need for having a state oil trading arm now that sanctions are over. In a survey of SA's energy sector which questioned the need for most of the energy fund's activities, the agency said country to country deals were of little use to private oil companies and that any government support for the Strategic Fuel Fund should be confined to keeping a strategic stockpile. The agency, linked to the Organisation for

BD 22/2/96 (183)
Economic Co-operation and Development, also mooted the idea of privatising the fuel fund

Van Zyl said that since government did have a strategic stockpile, there was no point in not trading the oil, which made money for government. It was pointless to just let it sit in storage tanks at Saldanha Bay.

In seven years of trading the fuel fund had never made a loss. This fiscal year the former sanctions buster had passed on a particularly large amount to government, which would be disclosed in the Budget. In the 1994/95 year the fuel fund, which is the Central Energy Fund's biggest and most lucrative company, had a retained income of R5,9bn. The energy fund's other companies are Mossgas, which could be sold off this year, and Soekor, which says it is preparing for privatisation after trimming staff levels.

Life industry slates levy on pensions

CT 22/2/96

By LLEWELLYN JONES

Johannesburg — The Life Offices Association was unhappy with the government's proposed 1 percent levy on the life industry's assets to raise R5 billion, Jurie Wessels, the executive director, said yesterday.

Wessels said it was unacceptable that any new tax on retirement funds was considered before proper consideration was given to the Smith committee recommendations on the retirement fund industry.

"The South African retirement funding industry has served the country's people and economy well. It should not be tampered with without a very convincing reason."

"Yet the decision to fill the shortfall in the national Budget from the retirement funds appears to have been based on nothing more than a subjective perception that the retirement funds industry does not produce its fair share of tax."

"It does not make sense to call the proposed levy an interim measure so that discussions on the Katz proposals can continue. The Katz commission argued that their proposals were based on a desire to combat arbitrage. This is not an

interim measure to combat arbitrage, this is an interim measure to raise a very large amount of money," he said.

The row follows a meeting between the finance department and representatives of the life industry last Friday, where a finance department representative said it would take at least a year before the Receiver of Revenue was in a position to collect the taxes mooted by the Katz commission.

Alternatives were therefore needed to meet projected revenue shortfalls.

The one-off levy was proposed and submissions on the proposal were called for by noon yesterday.

Michael Katz, the head of the Katz commission, was present at the meeting, but declined to comment yesterday.

"The meeting and the discussions were confidential, and I must respect that," Katz said.

Informed sources, however, said Katz "vehemently opposed" the proposed levy because it did not take a holistic view of the industry and taxation into account.

The department of finance also refused to comment.

Sentrachem and Bayer in R500m chrome venture

(183) CT (BR) 22/2/96

By ANN CROTTY

Johannesburg — Bayer, the German chemical company, and South Africa's Sentrachem will form a R500 million joint venture to produce chrome chemicals, the companies announced yesterday.

Construction of a South African plant in Newcastle, KwaZulu Natal will begin in June or July if the outcome of an environmental impact assessment is favourable. The new facility is expected to come on stream in early 1998.

Both parties will commit R250 million in cash to the venture, which will be one of the world's largest facilities to make chrome chemicals.

It will manufacture 70 000 tons a year of sodium dichromate which is used in the leather and metal treatment industries. A second plant will produce 10 000 tons of chromic acid a year. Close to 90 percent of the production is destined for export.

Bayer decided to relocate its chrome chemical production from Germany to South Africa because it will be closer to the raw materials. Chrome will come from Rustenburg and soda ash from Botswana. The venture will provide 100 jobs.

Workers plan mass protest march

CT (BR) 22/2/96

By SHIRLEY JONES

Durban — The National Union of Leather Workers (NULW) and the South African Clothing and Textile Workers Union will take to the streets next week to protest against job losses, alleged customs fraud and the dumping of cheap shoes from the Far East.

The unions intend handing memorandums to both regional and national authorities decrying 9 000 job losses in the footwear and leather industries in the past five years.

According to the NULW spokesman, Roy Naransamy, the union faces closures and retrenchments daily. Job losses in the Durban

region had risen to 2 000 since November and more were expected. Where workers were not laid off, they were put on short time because of a lack of orders, he said.

Dave Berry, the president of the Footwear Institute of South Africa, said yesterday overall employment shrunk from 56 000 in 1989 to 28 000 last year. He said local production dropped from 87 million pairs of shoes in 1989 to 58 million pairs last year. Much of the blame for this reduction has been laid at the door of cheap imports. Berry said imports escalated to 63 million pairs last year from 12 million pairs in 1989.

He said growth in the South

African shoe market has not kept pace, moving from 100 million pairs in 1989 to 121 million pairs last year. Local producers now have a 47,9 percent share in the market, from 87,36 percent in 1989.

Berry said KwaZulu Natal, where the budget end of the footwear industry was concentrated and where employment by the industry had been highest, had been hit the hardest by closures and retrenchments.

The head of the Footwear Federation, Dennis Linde, said the industry could not afford the disruptions associated with protest action at present. He said the industry's fate was in the government's hands.

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Plan to reduce drug prices in state clinics unveiled

BD 23/2/96

(183)

Kathryn Strachan

THE health ministry unveiled an ambitious plan yesterday to reduce the price of medicines in state primary health care clinics through a new national drug policy.

At the heart of the policy is a list of essential drugs, which will be available free of charge to every primary facility. By setting up an essential drugs list and a more effective distribution mechanism, clinics in disadvantaged and remote areas will be assured of a reliable supply of effective and safe drugs.

The plan aims to ensure medicines will be procured at the best possible prices. Price negotiations will take place at national level and all state health facilities will procure essential drugs through the public sector tender system. National tender prices will be monitored and compared with international prices. While preference will be given to local producers, procurement will aim at securing the lowest prices.

At present drugs are not available in the correct quantities where needed and are not selected and used in the most cost-effective way. The optimal use of drugs is vital as drug prices in SA are among the highest in the world.

Health Minister Nkosazana Zuma said at the launch of the new policy the first phases would be introduced in April. Drug procurement and distribution for the public sector would be limited to drugs on the essential drugs list.

The policy also aims to stimulate the national pharmaceutical industry to manufacture drugs on the national list and to promote national self-sufficiency on these lists. A committee of medical and pharmaceutical experts, appointed by the minister, would select drugs for the list. The selection would be based on the drug's proven safety and efficacy, and its cost advantage.

Medicines used by traditional healers would also be investigated for their safety and quality with a view to incorporating their use in the system.

Hoechst's growth exceeds forecast

Edward West

CHEMICAL and pharmaceutical group Hoechst SA, which listed on the JSE last July, raised attributable earnings before extraordinary items to R60,6m in the year to December, exceeding its prospectus forecast of R57,7m

Share earnings were 37,7% higher at 41,3c, while a maiden dividend of 7c was declared, in line with the interim forecast

Turnover grew 15,1% to R1,75bn, while operating profit increased 43,8% to R88,3m. Finance costs rose 23,5% to R40,3m and pretax income increased 62,6% to R53m

Earnings after a R6,2m ex-

traordinary profit — related to the sale of Hoechst Graphics — were 62,8% higher at R66,8m

MD Steffen Beuthner said he was satisfied with the results and expected continued real earnings growth this year.

The group's health care business sector had achieved a substantial increase in turnover, but operating profit did not entirely meet expectations, while the ethical pharmaceutical business had produced good results, he said

Its animal health business had maintained its dominant market position, but results were lower than expected due to the drought last year and reduced tender business. Improved weather and new

products were expected to produce growth conditions in the market

The polymers and derivatives business had benefited from higher physical output and favourable trading conditions in world polymer markets, which contributed to a significantly improved performance. All divisions in the chemical sector, except the polymer dispersion manufacturing activities, had produced sound results

Beuthner said the R200m polypropylene expansion project was scheduled to come on stream in the fourth quarter of this year. The merger of Hoechst SA's pharmaceutical operations with Roussel Laboratories was planned for completion by June.

BD 23/2/96 (183)

Hoechst SA better (183)

forecasts

CT (PR) 23/2/96

BY ANN CROTTY

Johannesburg — Hoechst SA, the chemicals and pharmaceutical group, has pipped the earnings forecast in its prospectus by 5 percent, posting a 38 percent increase in earnings a share to 41,3c in the 12 months ending in December last year from 30c in the same period in 1994.

The company declared a dividend of 7c a share.

The group, which was listed on the JSE last July, reported a 15 percent increase in turnover to R1,7 billion from R1,5 billion the previous year.

Despite difficult trading conditions in a number of divisions, the overall group operating margin was an impressive 25 percent, up 5 percent from 4 percent previously. This lifted operating profit 44 percent to R88,3 million from R61,4 million.

Net finance expenses were up 23,5 percent to R40,3 million from R32,6 million, though the December balance sheet shows net borrowings down 24 percent to R130 million. After allowing for a 17 percent tax rate, down from 21 percent in the previous year, taxed profit showed a 71 percent increase to R43,9 million from R25,6 million.

An increase in profit due to outside shareholders restrained this to a 44,6 percent advance in attributable earnings to R60,5 million from R41,9 million.

The group's healthcare business increased its market share, but operating profit was slightly below expectations. This was partly because of costs relating to the restructuring of Noristan.

Though the group's animal health business maintained its market share, profits were lower than expected.

The polymers and derivatives business improved its performance significantly on the back of increased output and favourable world markets.

The management said it was looking for real earnings growth this year.

Polifin's powerful finish proves the pundits wrong

BD 27/2/96

(183)

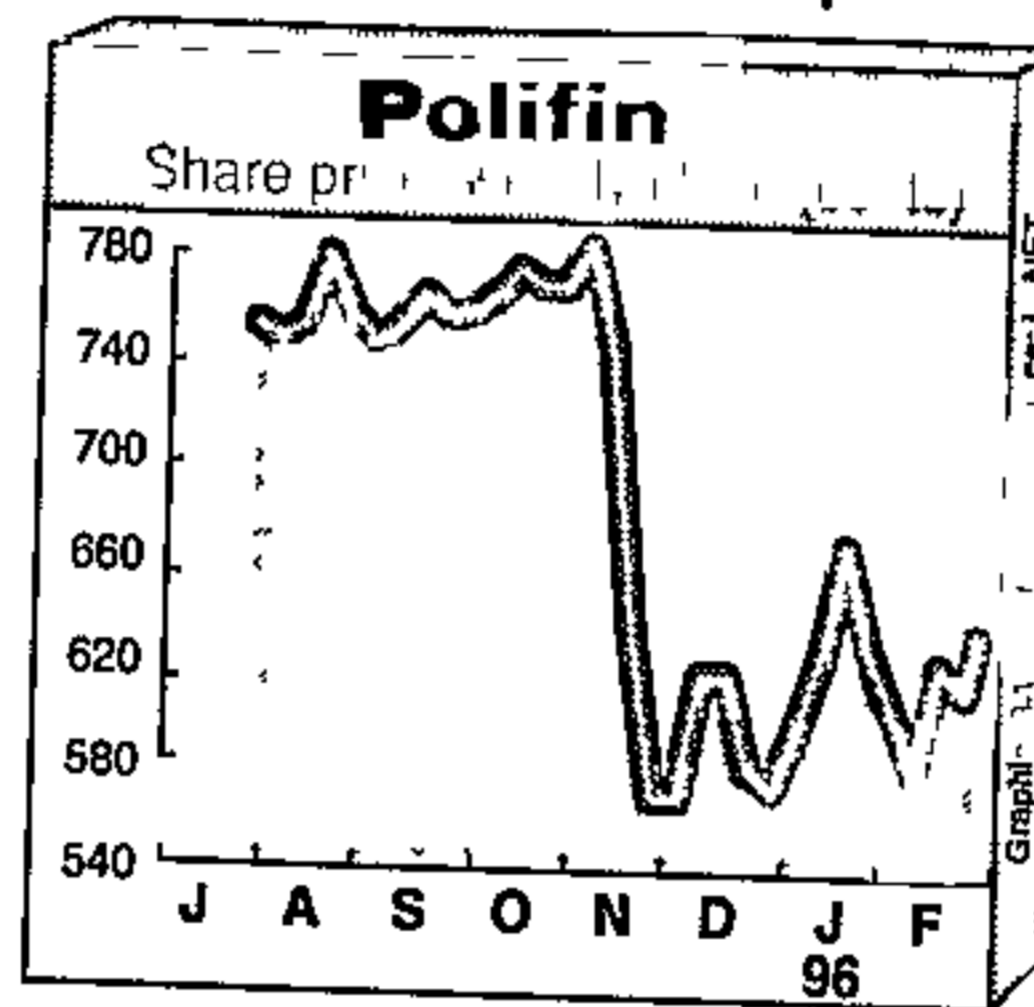
Mungo Soggot

POLIFIN lifted earnings 66% to R218m for the six months to December, beating the expectations of pundits who predicted that the plastics company would take a stronger knock from the collapse in key plastics prices last year

Share earnings were 40c and an interim dividend of 10c was declared, with shareholders to be offered a capitalisation share award. The company, which has Sasol and AECI as its major shareholders, increased turnover 12% to R1,6bn and pushed operating profit ahead 33% to R379m as margins fattened on a diet of operational gains

A 58% drop in finance charges to R28m offset a 53% higher tax bill of R132m, leaving after tax profit at R219m.

CE Trevor Munday said the results were pleasing considering the hammering from the price spiral towards the end of last year. He said most key prices looked set for steady improvement and it appeared China's appetite for plastics was picking up. One of the



main triggers of the collapse was China's clampdown on imports

"It appears that the international supply/demand balance for chemicals, plastics and associated commodities has stabilised after the erratic trends of mid-1994 to the end of 1995," he said. Strong cash flow had allowed the company to finance internally R263m of additional capex and repay R50m in shareholders' loans. Gearing had improved to 31% from 41% for the 1994 financial year.

Munday said 90% of the Midland modernisation and restructuring programme had now been

internally financed. The programme, which involved a radical shake-up of the company's Sasolburg operations, was running 10 weeks ahead of schedule and within budget. It should translate into a R150m-a-year gain and had involved upgrading its PVC facilities and installing additional chlorine membrane cells.

He expected second-half earnings to be much the same as the first half. The costs of running existing facilities while phasing in new ones and the remaining R20m write-off of decommissioned plants would be offset by the benefits from the expected pick-up in international prices.

The firm was likely to enjoy a cash injection from the sale of its decommissioned carbide furnace plant at Sasolburg. Munday could not pin a figure to the sale as it was still up for tender.

He said the fall of the rand could only help Polifin, which expected to keep its exports at 12% of turnover. However, it could increase the cost of the firm's R300m modernisation of its propylene and polypropylene operations.

Sasol, Danes share technology

(183) Star 27/2/96

STAFF REPORTER

Sasol has signed a technology co-operation agreement with Danish company Haldor Topsoe A/S to produce high-quality diesel fuels from natural gas.

The agreement was signed at the weekend at Sasol's Johannesburg offices, during the visit of a Danish business delegation to South Africa.

Scientists from the two

companies had studied the advantages of combining two distinct processes used by each company for mutual benefit, a statement said

The combination of Sasol's Fischer-Tropsch technologies with Topsoe's synthesis gas technology is to be applied to the conversion of natural gas, from any viable source, to high-quality environmentally friendly diesel fuels

Polifin's earnings prove sceptics wrong

(183) CT 27/2/96

By JOHN SPIRA

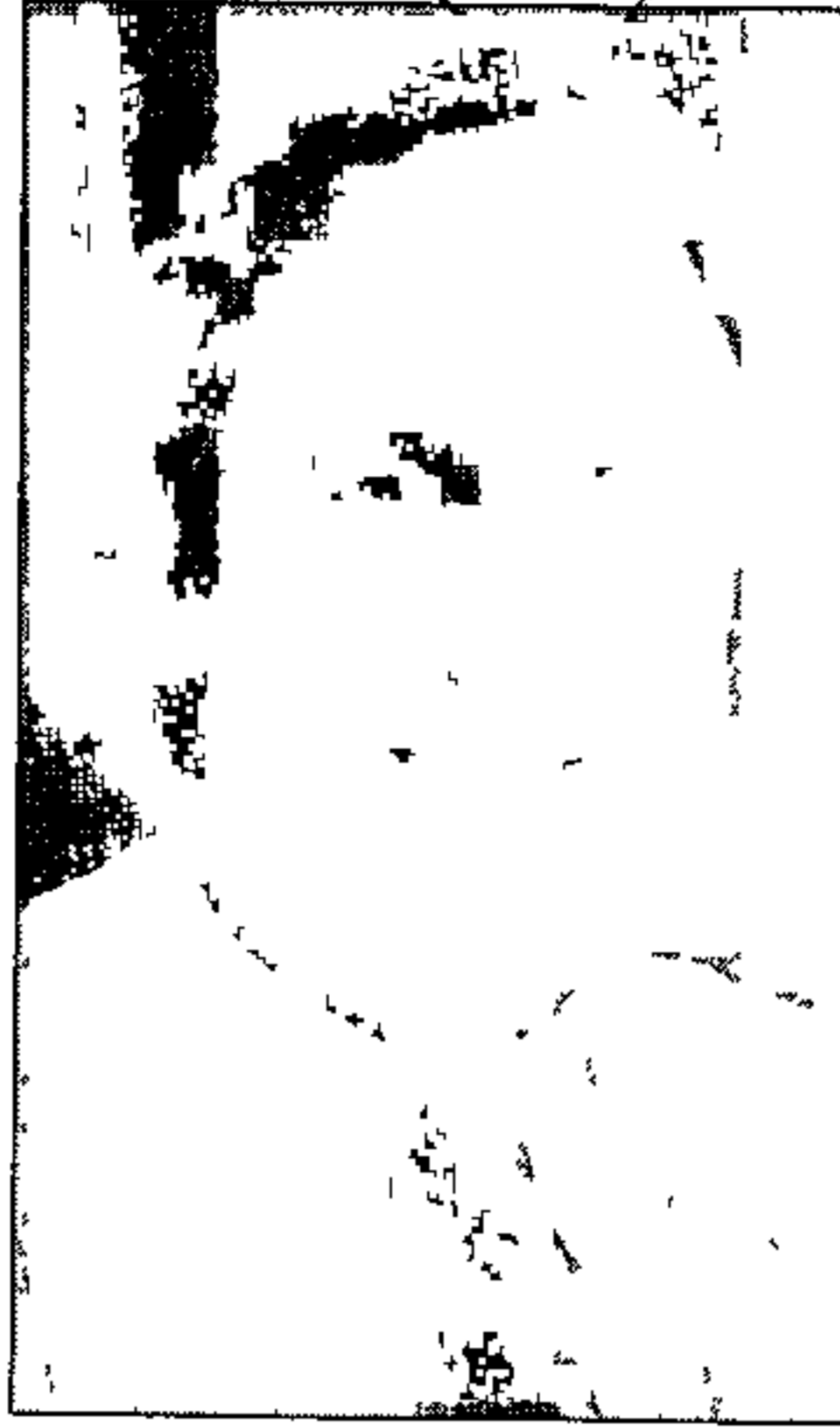
Johannesburg — Plastics and chemicals producer Polifin has confounded the sceptics with a steep 66 percent earnings gain to 40c a share in the six months to December. Polifin was hived off from Sasol and listed separately last year.

In the face of a 9 percent decline in sales volumes and lower world prices for many of the group's products, turnover increased by 12 percent to R1,6 billion, operating profit rose 33 percent to R379 million and attributable earnings soared 66 percent to R218 million. A maiden interim dividend of 10c has been declared.

Cash flow was strong, enabling Polifin to commit a further R263 million to its current capital expenditure programme, worth R1 billion, and to repay an additional R50 million of shareholder loans.

Managing director Trevor Munday believed that the international supply-demand balance for chemicals, plastics and associated commodities had stabilised after the erratic trend of mid-1994 to end-1995.

"Overseas commodity prices have stabilised since the price collapse in



CONFIDENT Polifin's managing director, Trevor Munday

mid-1995 and, in most instances, there have been modest recoveries in prices. Prices of Polifin's chemical products are expected to remain steady beyond the end of the current financial year."

Polifin's vision is to be a world-class plastics and chemicals producer

and Munday is confident that its R636 million Midland Restructuring Project at Sasolburg, the commissioning of which is currently in progress, would go a long way toward achieving this objective.

"We are well within budget and 10 weeks ahead of schedule. Besides ensuring more cost-effective production processes, the new VCM and PVC facilities will enable Polifin to increase its output, quality and range of PVC grades for domestic and off-shore markets."

He expected second-half earnings to be in line with those achieved in the first half.

While the earnings trend was increasing, the commissioning of new plants would result in Polifin incurring the costs of running new and existing facilities in tandem.

Furthermore, about R20 million in remaining write-off and closure costs of decommissioned plants would likely be absorbed in the current six months.

Munday said that these factors would, to an extent, offset the ongoing efficiency gains and the improved prices being achieved for Polifin's products.

Mossgas, union break deadlock

Mungo Soggot

183

BD 28/2/96

MOSSGAS has accepted union demands that it consult thoroughly with labour on the restructuring and possible sale of the plant and stick to the spirit of the national framework agreement on restructuring

The resolution of the deadlock at the Mossel Bay operation was announced yesterday by Mineral and Energy Affairs Minister Pik Botha and the Chemical Workers' Industrial Union

Botha stepped in to defuse the stand-off between the two sides after the union threatened to oppose further investment in the synfuel operation

The union said it now accepted that the voluntary redundancy programme, the main trigger for the dispute, should continue. It had also withdrawn its threat to oppose investment

Chemical industry talks with unions deadlocked

(183) BD 28/2/96
Renee Grawitzky

MOVES to establish a chemical industry national bargaining council have ground to a halt after the six unions party to negotiations declared a dispute this week when the parties failed to agree on the apportioning of the powers between the council and sector chambers.

Negotiations have been continuing since the middle of last year when the Chemical Workers' Industrial Union tabled a demand for centralised bargaining in the chemical industry.

Following the declaration of a dispute and the union's suspension of plant level wage negotiations, an agreement was reached to establish a national bargaining forum with specific sectoral chambers.

The agreement was reached on the understanding that the initiative would include all the unions operating in the chemical industry. When agreement was reached, the parties had not yet finalised their positions on the demarcation of sectors and the number of sectoral chambers, the powers of the

national body in relation to the chambers and issues to be negotiated at central and sectoral level.

These issues have been under discussion since late last year, but came to a head this week.

The unions are proposing four sectoral chambers and an agreement from employers to establish "a national bargaining council which will have overriding powers over sectors". The parties would then be in a position to negotiate the constitutional framework to accommodate the question of demarcation of sectors and the levels of bargaining and powers of each forum.

On the other hand, the employers have stated their commitment to "consider the establishment of a single bargaining council". However, "such establishment would be subject to the inclusion of 13 sectors as chambers within such a council" and agreement reached on the powers of these chambers as well as what issues would be negotiated at what level.

The unions are currently considering third party facilitation to resolve this impasse.

Sasol surges ahead on the back of synfuel success

BD 28/2/96 (183)

Mungo Soggot

SASOL lifted attributable earnings 27% to R1,15bn for the six months to December as a surging performance from synfuel offset a sharp decline in fortunes at its mining division.

Share earnings were 196c (153,9c) while the interim dividend was 53c (46,5c)

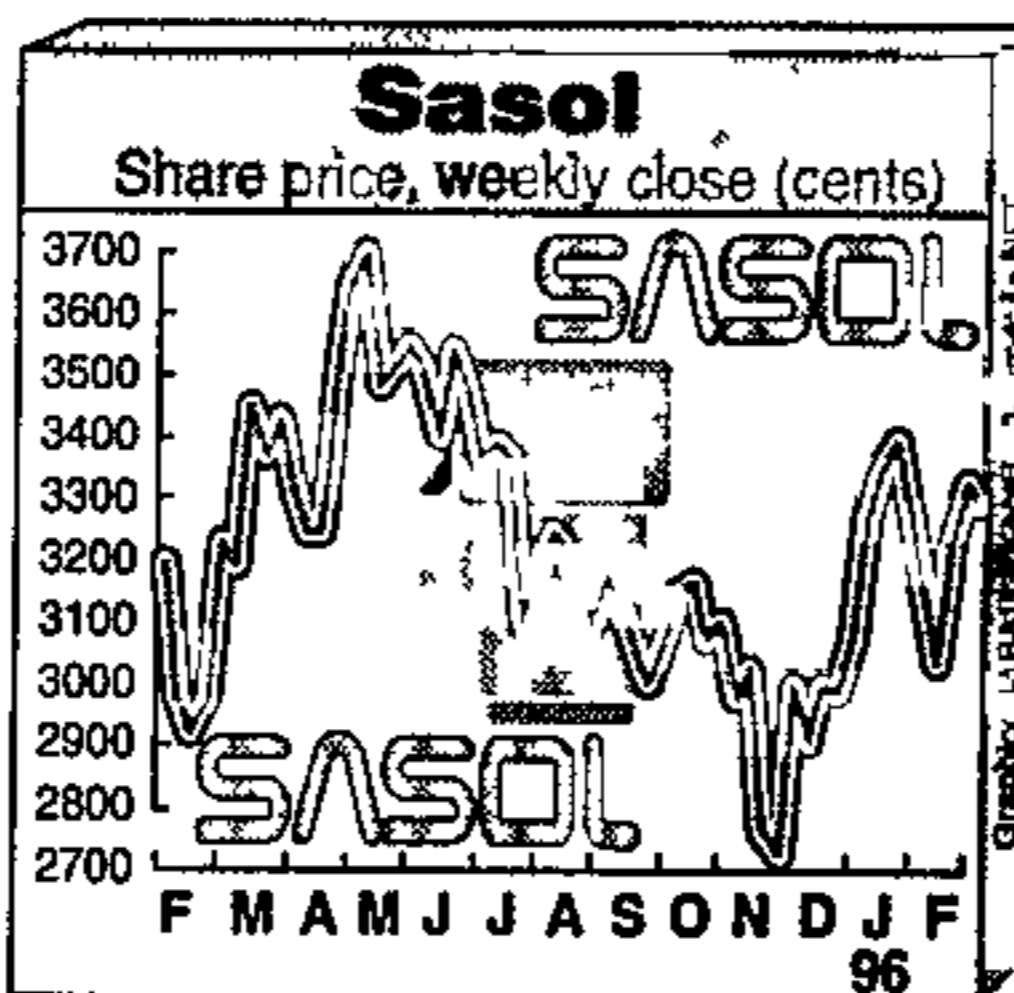
The group pushed turnover ahead 14% to R6,8bn, and operating income rose 17% to R1,56bn.

Surging interest income at R147m (R66,8m) left pretax income at R1,7bn (R1,3bn). Tax moved to R506,8m (R436,4m).

The results failed to kindle JSE interest, with the share shedding 25c to close at R33 following the results' release

CE Paul Kruger said the second-half performance would fail to match the first-half showing.

Sasol would be hit by lower chemical prices, adverse mining conditions and reduced protection from the public purse for its synfuels division.



But the blow would be cushioned by the division's efforts to combat the burden of lower state help, while the weaker rand would bolster its chemical exports drive

Synfuels proved a star performer. Operating income jumped to R698m (R573m) amid hefty operational gains, higher production and a tight rein on costs.

Kruger told Reuter Sasol would spend R750m to help ensure its profitability. The board had decided to replace the 16 existing synfuel reactors with six Sasol Ad-

vanced Synthol reactors in the next five years, which would coincide with the effective elimination of its protection in 1999.

"The most significant challenge facing the division is to offset the loss in revenue arising from the reduced tariff protection," Kruger said. "We are confident that cost savings are possible based on improved efficiency and the introduction of new technology."

Sasol Chemical Industries — last year's mainstay contributor — boasted operating profit at R489m (R373m) after cashing in on higher chemical prices despite lower income from the unbundling of its Polifin shares.

The mining division's operating profit fell to R128m (R163m) due to substantial costs incurred to boost production capacity to meet the unforeseen rise in the synfuels plant's appetite for coal.

Sasol Oil reaped the benefits of higher margins to leave operating income at R247m (R213m). Oil exploration costs of R18m were also written off during the period.

Acquisition likely to aid Krupp's growth

BD 28/2/96 (183)

Edward West

KRUPP SA was likely to show substantial turnover growth following the planned R1,8bn acquisition by its parent of international petrochemical and related technology supplier UHDE, Krupp AG Hoesch-Krupp executive board member Friederich Clever said yesterday

UHDE, through its local office, was a strategic supplier of technology to Sasol. All six of the Krupp group divisions — mechanical engineering, plant making,

automotive, fabricating, steel, trading and services — were active in SA.

The acquisition of UHDE would complement Krupp's local activities, said Clever. The group was focusing on generating new business in SA.

New contracts worth about R140m had been secured in recent weeks, taking the value of the group's current work in SA to about R1,58bn

Projects focus on surface mining equipment and bulk handling

The group generated 50% of its

DM27bn annual sales outside Germany last year. Exports accounted for 25% of this figure and foreign production for 25%. "SA is an extremely important market to us and we are confident Krupp's presence here will intensify"

Although production costs were rising in Germany, the group had no immediate plans to establish new production facilities in SA, he said. The country was already a leading stainless steel producer and local volumes were not enough to justify engine ing product manufactur

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

CARLTON IS WAITING TO SEE YOU.

BUT YOU HAD BETTER WARN HIM.

GOING HOME



Many of the people who left Hong Kong will return when Britain hands the colony over to China next year, says James Morley-Kirk, left, Cathay Pacific Airlines' southern African manager. With him are Cape Town sales manager Wilma Janssen and national sales manager Tertius van Zyl.

Feltex Foam spends R15m on new plant

(183) ET (BR) 28/2/96

STAFF WRITER

Durban — Feltex Foam, part of Island View Holdings, has replaced its 25-year-old plant with a R15 million new one.

According to Feltex Foam's operations director, Aston Key, the new plant would use state-of-the-art German technology to produce flexible polyurethane foam. He said the plant's output would replace some foams imported from Europe and therefore save South Africa foreign exchange.

"The plant can produce all PUR grade foams of either polyether or polyester origin, and the high technology enables it to deliver defect-free foam, a priority for the textile lamination industry," Key said.

He said the prime beneficiaries of the new technology were customers in the furniture, bedding, automo-

tive, clothing and footwear industries.

Additional features of the new plant are its high product quality and production flexibility, Key said.

"In addition to higher volume throughput, the new plant has two delivery mixing heads, greatly enhancing its versatility to change from one polyurethane foam type to another with minimum delay.

"This enables us to produce larger volumes of both polyether and polyester foams in any working day," Key said.

The plant can produce 60cm² foam blocks, Key said, which will improve production yields and productivity.

This in turn will enable the company to invest in long-block splitting and peeling equipment, which will maximise the benefits of the new productivity.

(183)

Sasol's ET (BR) 28/12/96 turnover surges 14%

By JAMES LAMONT

Johannesburg — Synthetic fuels producer Sasol yesterday reported a 14 percent rise in turnover in the six months ended December 25 last year compared with the corresponding period for 1994, but it indicated results for the second half of the year would not be so rosy.

The company faces a progressive reduction in the level of its tariff protection.

Turnover for the company rose to R6,76 billion (R5,92 billion). Operating profit, which rose 17 percent, stood at R1,56 billion.

As a result of the improvement of net interest received, earnings a share increased 27 percent to 196c (153,9c).

A capitalisation award will be made to shareholders on March 15 this year. Shareholders may decline the award in respect of all or any part of their shareholding and elect instead to receive a cash dividend of 53c a share.

Pat Davies, the general manager, said high international chemical prices, the reduction in the level of tariff protection and adverse mining conditions will have a negative effect on profit in the second half of the year.

But he said that profit would at least be equal to the second half of the previous financial year.

Sasol's directors said the half-year results reflected the excellent performance of the synfuel plants and higher chemical prices, difficult mining conditions and a relatively stable exchange rate.

Sasol Mining's contribution to operating profit slipped 4 percent because of costs from increased production to meet higher than foreseen increase in coal demand, and because of heavy rainfall. But Sasol Synthetic Fuels increased output by 5,4 percent. The successful operation of the new Sasol Advanced Synthol reactor contributed to improved yields.

Sasol Chemical Industries benefited from high chemical prices, recording an operating profit up 31 percent in spite of a reduction in income from the unbundling of 18 percent of Polfin shares.

Sasol Oil held onto its 16 percent share of total operating profit as a result of higher international refining margins and increased exports.

Labour dispute is (183)
resolved at Mossgas

ARG 28/2/96
THE Mossgas labour dispute has been resolved after a meeting between Mineral and Energy Affairs Minister Pik Botha and the Chemical Workers Industrial Union (CWIU)

It was agreed that the current voluntary redundancy programme — the main cause of the dispute — should continue as scheduled.

The spirit of the recently concluded National Framework Agreement will be adhered to with the establishment of joint management-staff structures to restructure Mossgas — Sapa

Sasol to spend R100m on restructuring

Mungo Soggot

(183)
BO 29/12/96
SASOL would spend more than R100m restructuring its synthetic fuel division to cope after its state support was scrapped, the group said yesterday.

Synfuel division MD Hannes Botha said the money would go on consultants, extensive internal restructuring and training at the Secunda operation.

The division would decide in the next few months how many of its 7 500 staff would be retrenched, but those immediately affected would be 1 000 temporary staff.

The division had employed a management consultant to help steer the reshaping process. The consultant is

understood to be US-owned Gemini, which is employed by Telkom and has been used by Premier Food Industries.

Botha said the shake-up should restore between R600m and R1bn a year to the division's income — which was R638m for the six months to December — and this would be used to upgrade equipment, including R750m on reactors. The shake-up follows the Cabinet announcement in December that Sasol's tariff protection — worth about R1bn last year — would be gradually scrapped. The support will be halved this year and phased out by 1999.

Sasol estimated the move would chip just over R2bn from its cumulative profits for the next four years.

(2) Telkom is exploiting the following avenues to recover the loss

- An insurance claim of R100 million has been lodged
- Negotiations have been initiated with foreign telecommunications operators affected by the fraudulent traffic to write off certain of the fraud related amounts owing to them, amounting to something in the order of R110 million
- Civil action to recover losses from 161 suspects so far is being considered for economic feasibility Potential for recovery of losses is low, as only small operators in the scam have really been caught. The big operators are part of an international crime syndicate based outside South Africa

(3) Telkom has introduced extensive measures to improve internal checking procedures. These include

- The monitoring of international telecommunications traffic to ensure the early detection of fraudulent call patterns (This has resulted in the communications traffic declining from 4 500 000 call seconds per day, at the height of the scam to specific countries, to 600 000 call seconds per day)
- The monitoring of call patterns from electromechanical exchanges through implementation of electronic metering. This will counter inherent risks associated with old exchange technology
- The establishment of a highly skilled investigations unit similar to the best in class functions at other telecommunications operators in the world. This unit will be fully operational by 1 May 1996. In the interim period quick-hit actions are being taken to address the issues involved

Oil storage agreement: environmental impact
*4 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

- (1) Whether his Department has investigated the environmental impact (a) of South Africa's oil storage agreement with Iran in general and (b) the resulting increase in

tanker traffic in Saldanha Bay in particular, if so, (i) what were the results of the investigation, (ii) who conducted the investigation and (iii) over what period was the investigation conducted, if not, why not,

- (2) whether his Department intends conducting such an investigation, if not, why not, if so, when?

N4E
The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) The oil storage agreement between the National Iranian Oil Company and SFF Association states "This agreement is subject in its entirety to the suspensive condition that the results of an environmental impact study which is presently being undertaken confirms that the execution of this agreement will not have a detrimental effect on the Saldanha and Langebaan Lagoon environment"

SFF Association has commissioned an environmental impact study which is being undertaken by the CSIR and is executed with the involvement of all interested and affected parties. A draft report defining the parameters has been drawn up with the assistance of the interested and affected parties and is in the final stage of acceptance by these parties. Progress is being made with 12 specialist technical sub-studies of the main study as requested by the interested and affected parties. The specialist sub-studies to be undertaken are as follows

- to identify potential Single Buoy Mooring (SBM) sites, operating criteria and overall feasibility of this project option,
- to establish the mooring and underkeel clearance requirements of very large crude carriers entering the port and berthing at the Saldanha Oil Jetty,
- the impact of dredging activities,
- to model oil spill scenarios for the various project alternatives,
- to assess the existing and required contingency planning and capacity for oil spill control within Saldanha Bay, for the SBM project option and within

South Africa's coastal waters in general,

- to assess the state of oil transfer and storage technology employed by SFF,
- to assess the impact of oil transfer and storage on groundwater and water quality within Saldanha Bay,
- to assess the potential impact of oil spills on the Langebaan and coastal ecosystem (and key ecosystem components, such as bird and saltmarsh communities),
- cost-benefit analysis of the various project options,
- environmental risk assessment, particularly relating to oil spills for the various project options,
- to assess the impacts of ballast water disposal, and
- study of the policy and legal aspects of SFF's existing and proposed operations

It is expected that a fully transparent study will be completed by the end of June 1996

A CSIR environmental impact study on the effects of the extension of the general cargo quay in the port of Saldanha to accommodate the traffic required for Saldanha Steel, was commissioned by Portnet. After an extensive process of public and stakeholder consultation, the final Report was issued on 15 February 1996. Portnet has signed a letter of commitment to all the recommendations in the Report

- (2) Falls away

Employment practices: discrimination

*5 Ms M SMUTS asked the Minister for the Public Service and Administration

- (1) Whether, with reference to his reply to Question No 110 on 2 May 1995, an agreement has been reached in the Chamber of the Public Service Bargaining Council, if so, what are the relevant details, if not, why not,

- (2) whether, after finding the refusal of a housing loan to a married woman an unfair

Hausara 21/2/96

labour practice, the Industrial Court set a deadline of January 1996 to the Government to eliminate unconstitutional discrimination in its employment practices, if so,

- (3) whether this deadline was met, if not, why not, if so, what steps, incremental or otherwise, were taken to ensure that the deadline was met? N5E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

(1) Previously the home owner allowance scheme only allowed for the participation of married female personnel if their spouses had been permanently medically unfit to obtain paid employment. Emanating from an agreement that has been reached in the Chamber of the Public Service Bargaining Council at central level, a married person (male or female), with effect from 1 October 1995 may participate in the relevant scheme if he or she occupies a dwelling which is registered in—

- the person's names, or
- both the person and his or her spouse's names together,

provided that the spouse does not already participate in the scheme for the Public Service

- (2) Falls away
(3) Falls away

Road accidents

*6 Mr D H M GIBSON asked the Minister of Transport

(a) (i) How many persons died in road accidents in the Republic in 1994 and (ii) what was the estimated cost to the economy resulting from these accidents and (b) with reference to his reply to Question No 21 on 29 March 1995, what progress has been made by the Joint Task Group with regard to the reorganisation of traffic policing?

N7E

The MINISTER OF TRANSPORT

- (a) (i) The preliminary figure for the total number of fatalities due to road traffic

The building was evacuated after some discussions between the parties POTWA's action was in support of COSATU's initiative against privatisation of state owned assets

(b) Approximately 120 Mine Workers Union members took part in the protest march on 26 January 1996 and by 11 30 they returned to work

(2) The demand made to the company was that the company should guarantee the safety and security of their members during industrial action

Mine Workers Unions expressed their dissatisfaction against management for initiating disciplinary action against a member whom it was alleged had made racist remarks against POTWA members who participated in the industrial action on the 20/1/95

(3) Management assured Mine Workers Union that all employees' and customers safety, will be protected during industrial action or Telkom property

Regarding their dissatisfaction with the pending disciplinary action, management made it clear that the process would be both procedurally and substantively fair

Mossgas

*26 Mr J J NIEMANN asked the Minister of Mineral and Energy Affairs †

(1) Whether the Government has decided to provide Mossgas with the necessary finances to exploit further satellite fields, if not, why not, if so, (a) what is the amount involved and (b) what will be the impact on the expected duration of the undertaking if such further fields were to be exploited,

(2) whether any progress has been made with regard to the privatisation of Mossgas, if not, why not, if so, what progress?

N33E

THE MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) The Government has not yet decided whether or not to allow Mossgas to invest funds in the development of satellite fields

This is because the issue is a complex one and is dependent on what prospective purchasers of all or a part of Mossgas' equity wish the Government to do. Cabinet will be considering the matter in the coming weeks, once a report on the views of potential purchasers has been received from Rand Merchant Bank and Arthur D Little, the consultants who have been appointed to solicit offers from the private sector to invest in Mossgas

Mossgas consists of an off-shore gas platform and a synthetic oil-from-gas plant, near Mossel Bay. The first gas from the off-shore platform was delivered on 31 March 1992 and the on-shore plant reached full production on 2 January 1993. By 31 December 1993 the two together had cost the state R11,19 billion. Although not able to produce enough income to reimburse the capital expenditure required to set it up, Mossgas has been cash positive since 1993/4. In 1994/5 it achieved a net income, prior to tariff protection and synfuels levy receipts, of R114 million. (Interest and capital loan repayments are the responsibility of CEF.) Including tariff protection and synlevy, the operating surplus was R517 million.

Original assessments envisaged the gas reserves of Mossgas as representing 25 years supply. This estimate included the satellite and compression options as well as the neighbouring E-M gasfield. In practice, the main (F-A) gasfield is due to run out of gas by early 1997 after five years production. Significant additional income for the state or any private sector purchaser can still be made from the gasfields, but for this extra capital is needed.

The enterprise provides direct employment for 1 260 permanent staff and saved R607 million per year in foreign exchange during 1994. Its annual production is equivalent to about 15 million barrels of crude per year, and 7,2% of South Africa's transport fuel consumption. The final product from the plant includes petrol (about 50% of production), diesel, illuminating and power paraffin, and liquid petroleum gas (LPG). The only significant by-product is mixed alcohols (about 110 000 tons annually).

Mossgas is cash positive even when income from tariff protection and synfuels levy payments are excluded. It is running a deficit when the capital and interest payments on loans incurred by CEF are included and the return on the state's original R11,19 billion investment is considered. Without further action, the gas recovered from its main field (the F-A field) will decline from early 1997. The situation requires an urgent decision so as to minimise the state's already considerable financial loss, to consider whether or not to take advantage of certain possibilities of generating income as well as to eventually lead Mossgas into a situation which will, inter alia, underpin the socio-economic well-being of the Mossel Bay area, its workers and its people.

In considering the future of Mossgas late last year, Cabinet was faced with various proposals regarding the future of Mossgas, put forward respectively by

1 The Central Energy Fund (CEF), the state-owned holding company of Mossgas. CEF recommended developing the F-A satellite gasfield (the satellite option) at a cost of R443 million and taking out more of the gas in the main F-A field and satellites by installing compressor pumps (the compression option) at a cost of R400 million. The recommendation therefore urged that the Cabinet permit Mossgas to invest R843 million from Mossgas' own operating surplus in the satellite and compression options, so as to earn R2 497 million in net revenue. The actual amount gained after capital investment would be R1 654 million.

CEF advances certain factors which suggest this course of action

- it is financially justified by future profits and is in the interests of the taxpayer as it generates wealth,
- its viability is not dependent on tariff protection nor synlevy so that the motorist will not be disadvantaged,
- the state will benefit directly from the positive contribution to the net

balance of payments of a cumulative R2 billion (1994 Rands) over five years and it will provide 800-900 jobs

The Mossgas Business Development Team, consisting of personnel from CEF, the IDC, Mossgas, Soekor and international consultants Arthur D Little and the Monitor Company, evaluated alternative uses of the gas. The Team identified synfuels production, methanol, primarily for export, and pipeline gas to the Cape for fuel, as being the most attractive. They examined the advantages and disadvantages of each option and concluded that "the State's" interests will be best served by the continued commercial production of synfuels for the next three to five years.

The Team also drew up a Long Term Master Development Plan for Mossgas. Most of Mossgas' onshore assets are multi-purpose and can be incorporated into future projects with considerably savings in capital expenditure vis-à-vis a new site. This gives the Mossgas site a distinct advantage over other locations for a fuels and petrochemical industry, based on gas and imported feedstock.

2 The Monitoring Panel of international and independent experts (KPMG, Arthur D Little and Chase Manhattan) appointed to verify the financial justification of any further investment in Mossgas. The Monitoring Panel's brief is to comply with the Public Accounts Committee's Resolution 9(b)(v) of Friday, 21 October 1994, namely

"The Public Accounts Committee recommends that no further money be invested in the [Mossgas] Project without a comprehensive investigation, independently verified, which demonstrates conclusively that further investment is financially justified in terms of future profits, taking into account all direct and indirect costs to the motorist, the taxpayer and the Government."

The Monitoring Panel was not in favour of CEF's proposal and recommended that the government should initiate a process, managed by an international adviser or advisers, to determine potential private sector interest in acquiring all or part of Mossagas. The Monitoring Panel felt that it was not able to confirm conclusively that the proposed investment in the F-A satellites field would be financially justified.

The Monitoring Panel's recommendations were

- to assess all the options open to government by initiating as soon as possible a process to determine potential private sector interest in acquiring all or part of Mossagas and, if appropriate, Soekor,
- government, as owner, with the support of independent expert advisers, and in collaboration with the Boards of CEF and Mossagas, should complete a work programme to finalise a long range business plan for Mossagas, and
- once the state knows the value which the private sector places on Mossagas, the socio-economic impact of private sector solutions, and the potential alternative uses of Mossagas, it will be in the best possible position to consider its options and decide on the best way forward

3 The Joint Parliamentary Committee on Public Accounts (the Public Accounts Committee) The Committee recommended that the Government should not at that stage decide on further investment, that any proposal for future investment should be presented in the context of a long-term business plan, and that the Department of Mineral & Energy Affairs, assisted by a qualified adviser, should determine potential private sector interest in acquiring all or part of Mossagas, for Government to take a well-informed decision on the future of Mossagas and recognising the ser-

ious consequences of failure to act timeously, the Department of Mineral and Energy Affairs should determine time-frames for the above recommendations

4 The Chairman of Burnett Associates Mr Carl Burnett, an independent adviser with an impressive track record in the oil industry, recommended that the satellite option and the immediate testing of the market be done simultaneously. This would avoid Mossagas' production dropping off in early 1997 due to a delay in the start of the satellite fields option. Such a pending drop in production less than twelve months after a possible private sector take-over would almost certainly lessen the value of Mossagas to a potential buyer. Mr Burnett's also recommended that a distinction should be made between the gas deposits off-shore which is a resource requiring exploitation to maximum financial advantage, and the on-shore Oil Refinery which is an industry for which medium to long term strategic planning is required. Much of the present difficulty with deciding on what to do with Mossagas arises from the confusion of the two issues. Mr Burnett was retained by CEF/Mossagas, but his recommendation was independent of his role with CEF. This proposal had the following advantages

- for an investment of R443 million in developing the satellite fields which will be financed out of Mossagas' operating surplus, Mossagas will receive R846 million over 22 months,
- the socio-economic advantages relating to job creation, economic growth and improvement of the standard of living of the citizens of the region,
- the avoidance of any further drop in Mossagas' value due to the interruption of production after the existing available gas production begins to diminish in early 1997,

- the gathering of essential information on the market standing of Mossagas to enable the state to determine more accurately just how much or how little Mossagas is worth,
- the ability to take a decision on the compression option and other options with the benefit of the input received from the privatisation process. All concerned will be much clearer as to what the alternatives are

The need for a decision was urgent. At current production levels and without further capital expenditure, gas pressure in the main field would, by the first quarter of 1997, begin to drop off. Development of the satellite gas fields requires 15-18 months. A shutdown pending implementation of the satellites option would have serious financial and socio-economic implications. If there is to be implementation it must commence shortly so that the extra gas can be brought on line before current sources are exhausted. A loss of R32 million is already associated with delaying a decision until January 1996. If a decision is delayed until January 1997, the loss will amount to R261 million. The loss is made up of lost fuels production, lost alcohol markets and increased capital expenditure costs.

The future of Mossagas was considered by the Cabinet Committee for Economic Affairs on 22 November 1995, as well as by the full Cabinet on 29 November 1995. At its meeting of 22 November 1995, the Cabinet Committee for Economic Affairs requested the Minister of Mineral and Energy Affairs to meet with the Minister of Finance in order to clarify the issues. When the matter was considered by the full Cabinet on Wednesday, 29 November 1995, it decided to defer the matter pending the circulation of the latest developments and identifying the options with their relative advantages and disadvantages.

It became clear, and was agreed by all interested parties, that the market needed to be tested to ascertain private sector interest in Mossagas. What was not so clear is what steps, if any, should be taken to ensure a continuity of gas supply when the current supply for the main field starts declining, which is expected to occur in or about February 1997.

In view of the controversies and differences between the various stakeholders and experts, the Minister of Mineral and Energy Affairs called a meeting of all stakeholders and advisers on Friday, 24 November 1995 (The Mossagas Stakeholders Meeting). Those represented at the meeting were three Government Departments, namely *Mineral & Energy Affairs*, *Finance and Trade & Industry*, the *Monitoring Panel*, *CEF/Mossagas*, the *Chemical Workers Union*, and the *Council for Geoscience*. Due to the unavoidably short notice, the *Joint Parliamentary Committee on Public Accounts* nor the *Parliamentary Portfolio Committee on Mineral & Energy Affairs* could be present.

At the meeting everyone agreed that the market should be tested to ascertain private sector interest in Mossagas. Agreement could not be reached as to whether the maintenance of the gas flow after February 1997 was best served by developing the *satellites* or by applying limited *compression* to the main gas field only. The points of view of CEF/Mossagas as opposed to the Monitoring Panel were discussed at length. CEF/Mossagas favoured investing R843 million to apply both the *satellite* and *compression* options, but at least investing R443 million to develop the *satellites*. The Monitoring Panel favoured not acting at this stage but was prepared to accept limited *compression*.

CEF/Mossagas indicated that (1) the *satellite* development would cost R443 million in return for which Mossagas would earn additional net income of R850 million, and that (2) the introduction of *compression* would cost R400 million in return for which Mossagas would earn additional net income of R1,6 billion.

At the meeting it was pointed out that in 1994/5 Mossagas achieved a net income, prior to tariff protection and synfuels levy receipts, of R114 million. The on-shore plant was running at full capacity. How was it then possible to earn R850 million over 22 months from the *satellites* and thereafter R1,6 billion over 26 months from *compression*? Including tariff protection and synlevy, the operating surplus was R517 million for the same period. Estimated income provided by CEF/Mossagas must have included these 'artificial' items.

CEF/Mossagas' reply to this was that they had estimated increased earnings over the periods in question due to improved financial factors

not increased physical production. Figures are given for the period of the income as well as for the 12-month equivalent to enable comparison to be made with the current annual net income of Mossagas.

In relation to *satellites*, the increased earnings would derive from

	RM	RM
Net income from sale of fuel to the oil companies (1)	443	242
Additional export of chemicals (alcohol) (2)	216	118
Operating cost savings (3)	187	102
	846	462

In relation to *compression*, the increased earnings would derive from

	RM	RM
Net income from sale of fuel to the oil companies (1)	809	373
Additional export of chemicals (alcohol) (2)	523	241
Operating cost savings (3)	311	143
	1 643	757

(1) The period used is from February 1997 to December 1998 in the case of *satellites* and from December 1998 to February 2001 in the case of *compression*. By February 1997 the current arrangement whereby the State pays a royalty to Mossagas will have terminated. In terms of an agreement between Mossagas and the oil companies Mossagas will be entitled to sell its product to them at the same price as they receive for their refined products, whether this be the present regulated price (IBLC) or a market-determined price. This income might previously have been regarded as 'artificial' but will have become legitimate income from product sales as the result of a commercial contract.

(2) Mossagas at present exports alcohol product to Brazil. The additional income is estimated to arise from increased sales and prices. Mossagas' international marketing drive has resulted in its chemical products exports being set to treble in 1996.

and the training of staff to perform more than one function (multi-skilling)

(4) The annual figures in the second table are higher than those in the first table because they cover a later period and reflect anticipated increased oil prices and increased alcohol sales and prices.

The figures used in the above tables are based on the best available international authorities' estimates of the applicable parameters and are conservative. They provide a considerably margin against contingencies.

The Mossagas Stakeholders Meeting decided that the way forward was to test the market and commence *satellite* development. However, this was to be done on the understanding that, if the testing of the market indicated that the *satellite* development was not advisable, it could be halted, even with the payment of a penalty provided it was reasonable and not excessive. The Monitoring Panel, which preferred the limited *compression* option, agreed to consider the new facts and arguments which had come to light during the meeting and to provide the Minister of Mineral & Energy Affairs with its view on Monday, 27 November 1995.

The advantages and disadvantages of the three main options were

Option A To test the market without doing anything else has the advantage of not requiring any additional investment. Its disadvantages are

- the risk that Mossagas becomes unattractive to an interested private sector party because the gas from the main field will start declining in February 1997. Time will be required to restore the supply unless a decision is taken now,
- the risk that because the reserves are not actively developed, natural deterioration could set in and inhibit subsequent recovery of some or all of the additional reserves, resulting in a loss of potential income,
- the logical conclusion of persisting with this option is that production will eventually drop to the point where cost exceeds income and the refinery will have to be closed. Mothballing costs are estimated to be R1.3 billion. Alternatively, dismantling costs (including personnel retrenchment and rehabilitating the site to comply with environmental

requirements) will cost an estimated R650 million.

- The management of a process to test the national and international market to ascertain private sector interest in Mossagas will require the services of experts in this field who will probably cost in the region of R4-5 million. Other associated disbursements and expenses would probably amount to another R1-2 million. These expenses will be borne by CEF.

Option B is to introduce Full or Limited Compression.

The Monitoring Panel felt that "there are no grounds for believing that to invest now in developing off-shore gas reserves is a prerequisite of a process to assess private sector interest unless it is assumed that this interest will be directed only at continuing syngas production".

Sentrachem, together with Sasol and AECI, have indicated their interest in possibly acquiring Mossagas for conversion to a methanol plant and are therefore would-be buyers. They stated that it would be advantageous from their point of view if steps were taken to maintain the gas flow after February 1997 notwithstanding their ultimate intention to set up a methanol plant as opposed to syngas production.

The Panel felt that if a time-buying exercise is required, limited compression rather than *satellite* development should be pursued. The main reasons are that *compression* has a lower capital cost, is less risky and the economics of the *satellites* option would be enhanced.

CEF/Mossagas maintain that introducing *compression* in the main field without developing the *satellites* will mean that significantly less total gas will be obtained when compared with the option to first develop the *satellites* and then introduce *compression*.

The limited *compression* option, if applied now, can only draw gas from the main field because the *satellite* fields have not yet been developed. Assuming the *satellite* fields are then developed, and in order to withdraw the maximum gas, the *compression* option would then again have to be set up to apply to the *satellites*. There seems to be an inherent

inefficiency in the main field + limited *compression* + *satellites* + *compression* option recommended by the Panel, as opposed to the main field + *satellites* + *compression* option.

Option C is to develop the *Satellite* Fields. If the *satellites* are developed before any eventual application of *compression*, CEF/Mossagas point out that the eventual yield will be greater. If the *satellites* are developed after *compression*, this will deplete the main gasfield to the extent that the exploitation of the *satellite* fields will probably not be financially justified.

CEF/Mossagas said that "limited *compression* buys 10 months". This was "insufficient time to finalise the privatisation of Mossagas. If time is to be bought, the *satellites* would have to be developed anyway," and "*compression* will deplete the F-A mother field to the extent that the exploitation of the *satellite* fields is not justified." CEF/Mossagas explained that to be financially viable, the *satellites* needed to be developed in tandem with the main field, taking advantage of the use of common equipment and other synergies.

Option D is a combination of *Options A* and *C*, namely testing the market and developing the *satellites*. The Cabinet has already decided in favour of *Option A*. It will be asked to decide on whether to pursue *Option C* in the next few weeks.

Meetings with the Chemical Workers Industrial Union. One of the recommendations of the Monitoring Panel appointed in terms of a resolution of the Parliamentary Joint Standing Committee on Public Accounts was that there should be a reduction of the staff complement in order to improve Mossagas' cash flow. Mossagas management proceeded with such a programme with the consent of the personnel excluding workers represented by the CWIU. In the meantime the National Framework Agreement came in effect on 7 February 1996. The CWIU is of the opinion that the staff reductions (so far they are voluntary on the receipt of a severance package) should not continue as a result of the National Framework Agreement. Management maintains that the process was started before the National Framework Agreement and is so far advanced that the company will suffer harm if it is now halted. As a result of this difference of opinion between

management and the CWIU, and at my invitation, a meeting was first held with the CWIU, other stakeholders and CEF management on 16 January 1996 and a subsequent meeting was held with the CWIU, other stakeholders and Mossagas management in Mafikeng on 19 February 1996. At this meeting I urged management to enter into discussions with the CWIU and it was agreed that talks would be held between them, together with my representative, at Mossagas on the issue. I am optimistic that a settlement satisfactory to all can be reached.

Summary and Conclusion On 6 December 1995, the Cabinet decided that an enquiry should be urgently launched to determine private sector interest in Mossagas. It was also decided that before any investment in the further development of the gasfield was approved, the opinions of interested parties on the desirability or otherwise of the immediate development of the satellite fields would be canvassed in the light of what those parties had in mind for the further development of Mossagas. Advisers Rand Merchant Bank and Arthur D Little were appointed to ascertain the private sector interest but prior to that to report on prospective investors' views on the satellites question by February 1996, whereafter the Cabinet will consider the matter.

- (a) falls away,
(b) falls away

(2) Good progress has been made with determining the extent of private sector interest in Mossagas. Contact has been made with over 170 local and international organisations. 102 of these have already indicated that they would like to have further information. Although no decision has as yet been taken to sell Mossagas or a part of it, it is necessary to carefully and comprehensively determine the degree of interest so as to ensure that the State, the people, the workers and the Mossagas community obtains the maximum value for South Africa's investment in Mossagas. This process will be conducted by the consultants to the Central Energy Fund over the next six months.

Magistrate: alleged offences

*27 Mr D M BAKKER asked the Minister of Justice †

(1) Whether a certain magistrate, whose name has been furnished to his Department for the purpose of his reply, is still officiating as such in spite of the fact that allegedly he has already been convicted of criminal offences three times, if not, what is the position in this regard, if so,

(2) whether any steps are envisaged in this regard, if not, why not, if so, what steps?

N34E

THE MINISTER OF JUSTICE

(1) No. He has been instructed by the Magistrates Commission to do administrative work until the matter has been finalised.

(2) Yes, steps are envisaged. Magistrates, however, are independent and are not subject to the control or discipline of the Department of Justice. Magistrates fall under the authority of the Magistrates Commission. The matter was referred to the Magistrates Commission which is awaiting the outcome of the appeal which Mr Shimange has noted against his conviction on 1 February 1996. The Magistrates Commission anticipates that once the appeal has been disposed of, disciplinary steps will be instituted.

Financial aid to ship building programme

*28 Mr D DE V GRAAFF asked the Minister of Trade and Industry †

(1) Whether a certain company, whose name has been furnished to his Department for the purpose of his reply, has applied to the Government for financial aid in respect of a particular ship building programme, if so, (a) for what purpose was the aid requested, (b) what was the amount involved and (c) what was the Government's decision,

(2) whether he will make a statement on the matter?

N35E

THE MINISTER OF TRADE AND INDUSTRY

(1) Yes. The name of the company is Dorbyl Engineering.

(a) Dorbyl received a proposal from a foreign company to build a number of ships in South Africa over a few

years. The costs of the proposed venture was significantly higher than what Dorbyl could possibly carry and a request to Government was made for financial assistance. Such envisaged assistance would, according to Dorbyl, make the venture profitable.

(b) In addition to GEIS (General Export Incentive Scheme) payments on the first two completed ships, Dorbyl required

- A subsidy of R65 million over a four and a half year period,

- A deferment of tax receipts of R120 million over a period of five years and guarantees to cover any possible negative effects that likely changes to tax legislation would have on the financial structure of the scheme before 2005.

(c) Government's response to the tax proposals were that we could not provide a special tax dispensation nor could we guarantee tax levels to anyone for any length of time.

In terms of the request for subsidy, Government is in general not in a position to provide subsidies on demand. Moreover, previous experience of ship building in South Africa suggests that schemes such as that proposed by Dorbyl are always requested in order to enable companies to compete internationally. Experience has shown, however, that it is impossible to make South African ship building industries competitive and sustainable in the long term without unacceptable levels of government subsidy.

Countries that subsidise their shipbuilding industries tend to be those that have large budgets and in simple terms, those that can afford to. South Africa cannot afford to subsidise its shipbuilding industry in order for it to compete in a league with countries that have infinitely more money available for subsidies than we do.

The Government is, however, still prepared to consider a scheme proposed by Dorbyl if such a scheme can match the objectives of government such, for example, as the creation of employment and

exports, and through measures that are more acceptable

(2) No

Restructuring of State assets: agreement

*29 Mr L D CHUENYANE asked the Minister for Public Enterprises

Whether the Government and a certain organisation, the name of which has been furnished to her Department for the purpose of her reply, have reached an agreement on the restructuring of State assets, if so, (a) what are the terms of the agreement and (b) what State assets are involved?

N37E

THE MINISTER FOR PUBLIC ENTERPRISES

Yes

(a) The terms of agreement are set out in an agreement titled "National Framework Agreement" of 25 January 1996 which was made available to the members—I shall however table the said document

(b) All State enterprises and assets where the State is the controlling or sole shareholder. Joint media release on the National Framework Agreement by the Government of National Unity and Labour

7 February 1996

Government and Labour (Cosatu, Nactu and Fedal) indicated in an earlier media release on 25 January 1996 that following intensive negotiations between the six-a-side teams in December 1995 and January 1996, agreement had been reached in principle subject to the approval of the respective principals of the parties.

Cabinet today approved the National Framework Agreement (NFA). The three labour federations have also approved the draft and accordingly the NFA has now been signed by all parties.

The parties believe this is an important achievement in dealing with complex issues affecting the social partners. A firm ground for moving forward and dealing with problems has been established.

The structures in terms of the NFA will be established and the process commenced with, soon

(2) The Textile Federation, Clothing Federation, Footwear Manufacturer's Federation and SACTWU were all consulted prior to discussions with the PRC. They all gave their full support for the process. In addition, NEDLAC has been fully briefed.

*23 Dr B L GENDENHUYLS—Foreign Affairs
[Withdrawn]

Pensions: equity

*24 Mrs I MARS asked the Minister for Welfare and Population Development

- (1) Whether, with reference to certain information that has been furnished to his Department for the purpose of his reply, he intends promulgating a single set of regulations to be ready by 1 March 1996, if not, why not, if so, what are the relevant details,
- (2) whether there will be total equity in respect of payment dates, if not, why not, if so, what are the relevant details,
- (3) whether a single application form for all social and other pensions will be used, if not, why not, if so, what are the relevant details?

N132E
The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT

- (1) Yes, uniform legislation, which implies a single Act (the Social Assistance Act, 1992 (Act 59 of 1992)) and a single set of regulations, will be implemented with effect from 1 March 1996. The Act consolidates all previous legislation in respect of social assistance,
- (2) no, social benefits are payable from the first day of the month. However, as a result of the large numbers of recipients of social grants, payment dates are staggered over the first two weeks of every month according to pay routes in the case of all recipients who receive their payment in cash at a paypoint. Payments by the Post Office are staggered over the whole month according to the type of grant. Those who receive their payment through the bank can withdraw whenever they choose to,
- (3) yes, all provinces, with the exception of Gauteng who decided to develop its own

media officers in March 1994, if not, why not, if so, what steps.

- (2) whether the said member is in any way employed by any Government organisation, if not, what is the position in this regard, if so, what are the relevant details?

N134E

The MINISTER FOR SAFETY AND SECURITY

- (1) Yes,

A murder docket was investigated and sent to the Attorney-General who decided to prosecute the member in the Supreme Court on three charges of murder. The case was ready for trial, but the Minister of Justice contacted the Attorney-General and requested a postponement of the prosecution as he wanted to institute a Commission of Inquiry into the violence in Bophuthatswana during that period. The docket is still at the office of the Attorney-General.

- (2) Yes,

The member is now employed by the South African Police Service and is currently stationed at Mogwase.

At the time when the alleged crimes were committed the member was under the command and control of the Commissioner of the Bophuthatswana Police Force who decided not to suspend the member. Legal considerations have prevented the member from being suspended by the new South African Police Service.

Public Service: rationalisation

*27 Mr J CHIOLÉ asked the Minister for Public Service and Administration †

Whether any rationalisation in respect of public servants in 1996 is being contemplated, if not, what is the position in this regard, if so, (a) for what reasons, (b) to what extent, (c) what will be the financial implications in this regard for (i) such servants and (ii) the Government and (d) what will be the total staff complement of the Public Service after completion of such rationalisation?

N135E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

Yes,

- (a) firstly, the rationalisation of the public service as prescribed by the Constitution, is to be completed by 29 February 1996. As a result of the rationalisation process, certain officials who cannot be suitably absorbed within the rationalised new departments/administrations, may be declared redundant and subsequently discharged.

Secondly, a programme of right-sizing the public service has been proposed in order to find the optimum number of staff which would be adequate to deliver services within a particular budgetary programme, having regard to declared Government policy and priorities including the reduction in the size of the public service, and the prevailing financial constraints. This programme would include the possibility of voluntary retirements and redeployment of personnel. Employee organisations are being consulted on the right-sizing programme.

- (b) The number of public servants to be discharged due to the rationalisation of the public service is not known due to the process not having been completed yet. No estimate can be made as regard the number of voluntary retirements within the right-sizing programme.

- (c) The retrenchment or retirement costs for the Government emanating from the rationalisation process or the right-sizing programme are not known at present. Personnel affected by these actions will receive retrenchment or retirement packages as prescribed.

- (d) Not yet known due to the processes not having been completed yet.

Conservation of land: legislation

*28 Mr M F CASSIM asked the Minister of Agriculture

- (1) Whether he intends introducing legislation in regard to the acceptable use and proper conservation of land in the Republic, if not, why not, if so, what are the relevant details,

SASOL

(183)

TRANSFORMING OPERATIONS

FM 1/3/96

A better-than-expected first half from Sasol was fuelled by wider international refining margins and high chemical prices

The strong operating performance translated to even stronger growth in earnings thanks to a more than doubling of interest received, to R147m, flowing from a 22,6% rise in cash holdings (R2,74bn) and borrowings which remained static

The outlook for the full year is more muted. The phasing out of tariff protection will slow earnings growth in the current year, as will the sharp downturn in the chemical price cycle

These negatives may, however, prove to be temporary. CE Paul Kruger says a major transformation exercise has been launched by the synfuel operation to offset the loss in revenue from reduced protection

This revolves primarily around the new prototype Sasol Advanced Synthol reactor, which improves efficiencies and lowers costs

Ultimately, says GM Pat Davies, it's planned that all 16 of the old reactors will be replaced by six new Synthol reactors

The decline in chemical prices may also be relatively short-lived. Many industry watchers expect some recovery in the second half of the year, carrying on into 1997

Davies says he believes the cycle has bottomed and prices could start picking up in the second quarter

Divisionally, Sasol Chemical Industries recorded the largest increase in operating profit (31%) over the previous period

This is possibly Sasol's area of greatest potential, a factor not fully recognised in the share's rating

Largest contributor to operating profit remains synfuels, which gained 22% to raise its percentage of the total from 43% to 45% or R698m

Oil's contribution remained static at 16% of group operating profit, worth R247m, while profits from mining declined 21,5% to R128m

This was partly due to increased demand from synfuels. Mining incurred substantial additional costs to meet the increased demand and had to buy coal from outside sources

Recent wet weather further disrupted mining activities

Sasol says profits for the second half are expected to be lower than the first but at least equal to the second half of the previous financial year

The forecast is probably conservative, but, taking it at the lower end, it means that earnings should be at least R2,13bn for the full year — an increase of 14,5%

That puts Sasol on an undemanding forward P/E of 9,1 and also ignores the boost which Sasol will get from the lower rand

With about 80% of its product pricing US-dollar related, the share is a significant rand hedge. A 6% decrease in the value of

the rand goes straight through to the bottom line and gears the rating of a share by about 17%

Recent reports from broking firms have in general been bullish towards the share. Though the effect on earnings from reduced protection will be felt for some time, most of the negative perception is probably out of the way by now

On its forward rating, Sasol has seldom looked a more attractive buy than now. *Shaun Harris*



Paul Kruger

SYNFUELS COME THROUGH

Six months to	Dec 25 1994	Jun 25 1995	Dec 25 1995
Turnover (Rbn)	5,92	6,04	6,76
Operating income (Rbn)	1,33	1,48	1,56
Attributable (Rbn)	0,88	0,98	1,15
Earnings (c)	154	169	196
Dividends (Rm)	46,5	55,5	53,0

FUELLING STATE POWER WITH PRIVATE-SECTOR EFFICIENCY

F-M 1/3/96 (183)

Debate over actuarial insolvency

Industrial countries generally recognise the need to provide compensation for individuals injured in road accidents. The SA mechanism for providing protection has gone through many changes over the years but has never proved effective.

The original system was run by the short-term insurers applying the common law. The obligation to take out cover was later made compulsory, though the obligation was often flouted. Several insurance company failures, which left motorists uncovered, brought about a change to a semi-State system which still operates under the style of the Multilateral Motor Vehicle Accidents Fund, financed by a dedicated levy on fuel.

But the fund also malfunctioned, so the Melamet Commission advanced comprehensive proposals for reform in 1992. These, says fund CE Willem Swanepoel, have now been implemented.

The latest crisis has resulted from a sharp rise in the amount of claims since 1988 (see charts). Swanepoel says the fund is actuarially insolvent, taking into account provision for outstanding claims, and the levies, now 9c/l on petrol and 5,8c/l on diesel, should be raised.

The need to place the fund on a full actuarial basis, as though it were a private-sector insurer, has been sharply challenged by the AA, which contends that a public corporation with an assured source of revenue, backed by the State's taxing powers, can prudently operate on a pay-as-you-go cash basis.

AA public affairs GM Robin Scholtz calculates the average "insurance" premium paid at the petrol pump by motorists as already R350 a year — a calculation based on the 9c/l levy and the use of a medium-sized car travelling

30 000 km a year. This is 20 times what motorists paid 10 years ago under a State-determined premium structure.

Now, the Department of Transport, according to director-general Ketso Gordhan, plans to publish a discussion document setting out its plans for more reforms. The most important proposal would cap the compensation for actual or future loss of income — to a maximum of R4 000 a month.

This ceiling would cover the 76% of all South Africans who earn less than this amount. The 24% who earn more would have to take out their own accident insurance to meet the shortfall in the case of an accident causing loss of earnings.

Other important legal changes would bar so-called general damages for pain and suffering. But the present requirement for apportionment of damages —

could take out accident insurance to protect himself and his family against road injuries.

Swanepoel also argues that tourists should be subject to the same requirements as residents but should get benefits in rand and be treated in SA.

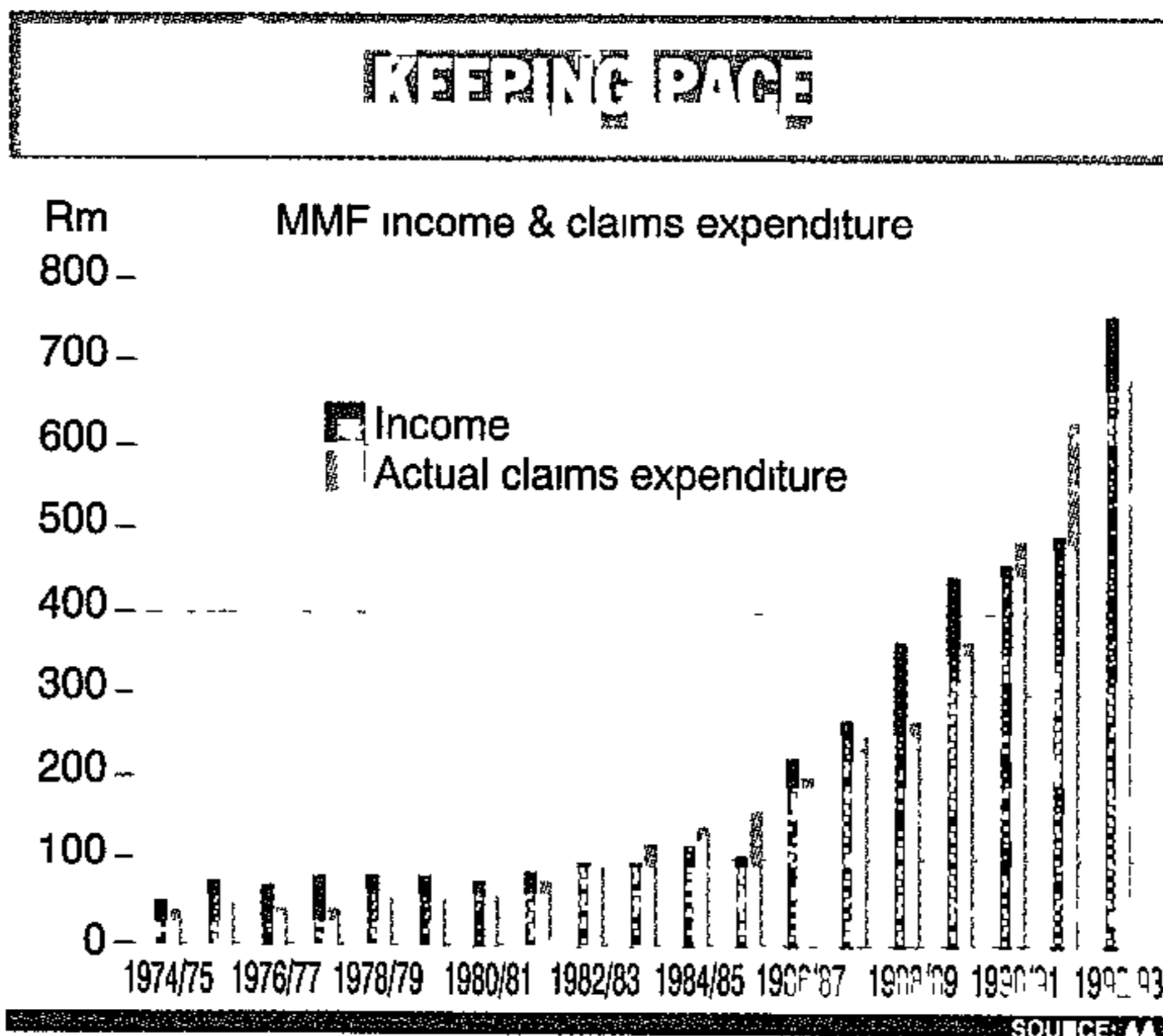
The debate could take a year or longer. Gordhan hopes the proposals could cut expenditure by 20%-25% and — coupled with a gradual increase in the levies — eliminate the actuarial deficit within eight or 10 years.

Should these proposals be supported? UCT economist Brian Kantor says SA should revert to a private-sector arrangement, even though the problem of uninsured motorists and hit-and-run drivers would still require special plans. But the profit motive would be reintroduced to ensure that claims were processed effectively and excessive or even fraudulent claims blocked.

Accident claims historically attract the attention of ambulance chasers and other exploiters of the woes of the injured. The only defence is the commercial interest of a private-sector insurer familiar with the techniques involved and prepared to resist them.

But there is widespread feeling that so-called third party insurance is anomalous and not suitable for private-sector treatment alone. Swanepoel argues that, in insurance, there is a voluntary contract between the insured and the underwriter, whereas a road user signs no proposal and receives no policy from the fund. A true insurer can reject a proposal for insurance.

The fund or private insurers under a new system must underwrite accidents caused by any road user, however costly the claims experience. SA's accident rate is about 10 times Europe's and worsening. The sharp increase in costs started after the former TBVC countries were al-



where the person injured is also at fault — would be changed to one of full no-fault compensation without regard to negligence. There could also be benefits for nonfee-paying passengers, whose claims are now limited to R25 000. An injured party would presumably still have recourse to common law to sue a motorist who injured him. And, naturally, he

Mobil and BP in \$5bn

merger

(183) CT(BR) 1/3/96
BY HENRY MEYER

London — British Petroleum (BP) and Mobil, the United States oil company, will merge their refining, petrol, motor oil and marketing operations in Europe.

They said yesterday that the combined company would have annual sales of more than \$20 billion and a combined market value of \$5 billion.

If the European Union approves the merger, the joint venture would control 12 percent of the European fuels business. It would be the top supplier of motor oil in Europe, with 18 percent of the market.

John Browne, the BP chief executive, and Lucio Noto, the Mobil chairman, described the move as "a significant strategic step which would take the combined business into the top tier of European refining and marketing and enhance its position in numerous national markets and product sectors."

The two companies said 2,000 to 3,000 jobs of the 17,500 in their joint non-service station operations in Europe would be cut. BP motor oil staff would transfer to Mobil, and Mobil fuels and marketing employees would transfer to BP.

Mobil and BP's decision to combine their downstream operations in Europe has been prompted by the need to cut costs at a time of surplus capacity in the oil sector and poor refining returns.

The merger would cost about \$400 million, but should save \$400 million to \$500 million a year within the next three years.

BP, which is dominant in refining, marketing and distribution, would manage those businesses, with a 70 percent stake. The two groups' 8,900 petrol stations would trade under the BP brand.

Mobil is stronger in motor oils and would control the lubricant operations with a 51 percent share. Both brands would be sold, but some BP products would be converted to the Mobil brand.

the R11bn synfuel plant this week "I do not see the issue as deregulation, per se, but as the level of government's future involvement in the liquid fuels industry. And we have already made progress."

Cabinet will not necessarily be involved in deregulation issues as these can be resolved at Nedlac level. For example, the contractual upliftment obligation of the oil companies towards Sasol's synfuel production could now, arguably, be negotiated in future between Sasol and the members of the SA Petroleum Industry Association (Sapia). Likewise, Sasol Oil should — or could — be ringfenced from the rest of the Sasol Group's petrochemical operations and become a Sapia member, says Venter.

Similarly, he adds, Sasol and Sapia could negotiate Sasol Oil's future competitive operation in the area of fuel retailing — Sasol can retail its fuel only in terms of the so-called Blue Pump agreement now.

While Sasol might have to lay out R1,5bn-R2bn to establish its own petrol retail chain — unless it can negotiate a suitable deal to take over or "share" existing service stations with other fuel companies — it would be in a competitive position in the inland market. Sapia members' crude oil refineries are all situated at the coast, necessitating costly transport to the Gauteng market. But Sasol Oil's Natref crude oil refinery at Sasolburg lies a proverbial stone's throw from Johannesburg.

"The unravelling of the industry's regulated Gordian knot is underlined by the fact that Transnet owns the Petronet pipeline, which pumps fuel from the Natal coast inland — and its pumping fees are reportedly used to subsidise loss-making Transnet operations. Transnet has to maximise its fee structures to recover the huge shortfall on its pension fund.

This factor will effect the freeing of the industry," says Sacob chief economist Ben van Rensburg.

Sapia spokesman Colin McClelland says Sapia favours the fullest possible deregulation of the liquid fuels market. He adds that the matter is urgent as potential foreign investors in the local industry require certainty about the respective future roles of the synfuel and crude oil refiners before they can commit themselves to the huge investments required in the refinery expansions.

Sasol spokesman Alfonso Niemand says the company has advocated deregulation as far back as 1993. "We do, however, believe that any changes should be phased in over a period of time to allow all stakeholders in the industry the opportunity to adjust and, most of all, to ensure that employment opportunities and small business development are not harmed. A level playing field should also be created by facilitating Sasol Oil's entry into the retail market." ■

BREAKING THE IMPASSE

Department of Mineral & Energy Affairs director-general Gert Venter is "positive and excited" that the logjam holding back restructuring of SA's R30bn liquid fuels industry will be broken soon.

Venter hopes to announce the appointment of an evaluator "within the next week. I expect a report by end-April, for discussion by business, labour and government. Last August we agreed in Nedlac's Liquid Fuels Industry Task Force that government would draft a synthesis document, release it for comment and then appoint a three-man evaluation committee by end October 1995.

"I have since tried, unsuccessfully, to appoint representatives of the diverse vested interests in this industry. During last week, I received the green light from all parties — labour and business — that they would be happy with the appointment of a suitable person."

Though he has a suitable person in mind, he declines to name him until the appointment is confirmed.

Venter says after April the main issues that will be discussed by the three parties to the debate will be the scope and nature of government's future role in the industry. This follows the decision to phase out Sasol's synfuel subsidy to a level of US\$16/barrel by 2000 and to deal with Mossgas. Energy Affairs Minister Pik Botha expects a progress report on a possible buyer for



Pik Botha possible Mossgas buyer this week?

fee structures to recover the huge shortfall on its pension fund.

Consultants throw Mossgas riddle back to the Cabinet

By CIARAN RYAN

INDEPENDENT consultants hired to test market reaction to the proposed sale of Mossgas have thrown the ball back into the government's court with a report which offers little new insight into how to execute the sale.

The Cabinet meets this week to decide on the future of the synfuels plant, which will run out of gas in little over a year.

Cabinet must decide whether to extend the existing gas fields at a cost of R850-million.

Still unanswered is the question of whether the state will recoup any new investment it makes in Mossgas. Interested responses were received from more than 100 companies around the world, but according to an oil industry source, none would commit to refunding the state for any new capital investment.

"Asking companies whether they will repay the state for any new investment it makes is asking them to reveal their cards upfront," says an oil industry source. "They would be crazy to do that."

But if the government makes no new investment, potential buyers will expect to pay substantially less than if the life of the gas fields were extended.

Mossgas needs R850-million to tap nearby gas fields and install compressors to maintain a gas flow strong enough for synthetic fuel production. This will extend the life of the gas fields to 2001. Another alternative is to invest R443-million as a first phase to extend gas supply, without compressors, until 1999.

Few potential investors envisage continuing with fuels production. The AECI/Sasol/Sentrachem consortium plans to use the plant to manufacture methanol, which requires a lower gas flow. Such an alternative requires no new investment in the gas fields until after 2000.

This implies that the state will recover perhaps only a portion of any new investment it makes. Government indecision has already added R100-million to the required investment, according to the Central Energy Fund, as drilling equipment and rigs which were lined up to start work last year have been redeployed in the North Sea.

Another problem facing the government is the demand for special investment incentives,

such as a lower tax rate, import protection, locational incentives such as lower harbour and freight rates and the abolition of exchange control. Investors are also concerned that the fuel market is highly regulated and controlled by a handful of majors, making it virtually impossible to penetrate. There is little call for deregulation among the existing players, who stand to lose substantial benefits through deregulation.

A recent study by London-based Chem Systems ranked South Africa second last out of 10 emerging countries as a location for chemicals investment. It scored lowest points for its high tax rates and lack of investment incentives. South Africa recently lost out to Thailand, which offers lower taxes and attractive incentives, when Taiwanese investors decided against a R10-billion SA-based petrochemicals operation which would have incorporated Mossgas.

David Day, business development manager at Mossgas, says of the 200 companies canvassed, half said they were interested in more serious negotiations, due to start in March, over the acquisition of Mossgas.

(183) ST (BTR) 3/3/96

Fund leader may quit over Mossgas

BD 4/3/96

(183)

Mungo Soggot

CENTRAL Energy Fund chairman Roy Pithey has threatened to quit in protest against the political squabbling over the fate of synthetic fuel producer Mossgas.

Sources close to Pithey said yesterday his departure was likely to be confirmed this week, but that he had already told Minerals and Energy Affairs Minister Pik Botha as well as mineral and energy affairs parliamentary select committee chairman Marcel Golding of his plans.

Pithey, 62, who was previously with Sentrachem, joined the fund in April 1994 and has devoted a lot of time to handling Mossgas, which the fund owns.

Pithey had been expected to renew his contract this year, but is known to have been frustrated about interference from Parliament and the auditor-general in the responsibilities of the mineral and energy affairs department.

Pithey has also complained that the failure of the parliamentary joint standing committee on public finances to take a timely decision on whether to invest more in Mossgas or ditch it, cost the operation close to R100m in diminishing asset value.

The final straw was a letter

from the auditor-general's office which complained that the Mossgas sale process was not sticking to the demands laid down by the parliamentary joint standing committee on public finances.

Although the Mossgas issue was in the committee's hands for most of last year, it was effectively sidelined when Cabinet approved plans to test private sector interest in the plant in December.

Merchant banks are currently seeking private buyers for Mossgas. The banks are also asking potential buyers whether they believe government should invest further in Mossgas to prolong its life.

Armed with the merchant banks' information, Botha is expected to ask Cabinet to consider the further investment in the plant this week.

It is understood that a senior official from the Industrial Development Corporation will take over from Pithey when he resigns.

Most of those interested in buying Mossgas are believed to have recommended further government investment.

Pithey's departure is likely to exacerbate perceptions that the Mossgas privatisation drive is stumbling over squabbles between different government arms

Do-gooder 'that fights union on all issues' (183)

Simon Segal

WHEN the Nigerian military government hanged nine activists from the Ogoni region in November after a dubious trial, it was the second time in under six months that Royal Dutch Shell, the world's biggest oil multinational, attracted headlines and the wrath of social activists.

In June, when Shell planned to dump the Brent Spar oil platform into the North Sea, the company was branded as a despoiler of the seas (Greenpeace subsequently apologized for mistaken calculations).

For Shell SA, after the public perceived it had some sway over its Nigerian sister company, the Nigerian hangings brought back bad memories of when it and its parent steadfastly resisted immense pressure to depart from an apartheid SA and comply with the international oil boycott.

It was a reminder of the pitfalls of being a multinational — almost by definition, rich, powerful and impersonal, and thus attracting resentment and hostility. Like so many multinationals, politics is part of Shell's daily business. But more than other firms, Shell SA has had to compensate, some feel overcompensate, for this prejudice, especially the perception of it as a supporter of an apartheid government.

Many of Shell's social policies over which it has kept a low profile, most notably its commitment to affirmative action, social investment and human resource development, are now common practice in corporate SA. Shell's newer policies, in particular around education and job creation, now also look as if they are going to be emulated.

Shell's 10-year old Shell education service targets, firstly, the development, production and distribution of resource materials and teaching aids. Secondly, demonstrating the effective use of these resources, it targets teacher workshops.

This year the services going national and will be extended to government's education department with regard to restructuring of syllabuses. The 100 or so Shell education service projects cost around R15m annually.

Shell's Lavwire project aims to discover and develop business talent, specifically among young people launched in Gauteng last February, it had helped establish 125 businesses by November. To date, 200 people have been trained in business skill courses.

Lavwire will be launched nationally this year aiming to train around 450 aspiring entrepreneurs, each employing around 10 employees, and thus creating nearly 5 000 jobs. Shell is budgeting R4m this year for Lavwire.

Finally, there is Shell's science and mathematics centre, started in Natal in 1985. Today, after having R40m spent on it, it is an independent education development agency and has expanded into the Free State and Mpumalanga. Its initiatives include informal training and workshops, further diplomas in education linked to the Natal University and schools science projects.

Shell employs 1 800 people. Another 600 are in its refinery. It employed 2 500 before it sold its forestry interests, Cadac and Prices Candles in 1991 to refocus on its core businesses of chemicals, oils and coal. Last year Shell further streamlined into eight departments, a move which will save it R100m.

Chairman John Drake is clear that Shell has every intention of expanding its core businesses and "not selling them off in the name of black empowerment. Where we do support small, and particularly black, business is in affirmative procurement policies. A person is specifically in charge of this."

The budget for this supplier development programme has been increased from R20m in 1995 (supporting 50 small and medium sized firms employing 10 to 15 people) to R60m this year (supporting about 100 firms).

The programme extends beyond procure-

ment to include assistance in the preparation of tenders, pricing, quality management and other aspects of management.

Today, 23% of Shell's top management and 40% of middle management is black.

Drake feels limiting affirmative action policy to recruitment "is not enough". A working group is reviewing Shell's affirmative action policy. Drake expects Shell to start including soft variables such as affirmative action objectives in its salary reviews.

Meschack Ravukri, national Shell co-ordinator of Cosatu's affiliate Chemical Workers' Industrial Union, acknowledges Shell has good wages and benefits but describes its affirmative action policy as "stinking". He cites "a lack of consultation, with key positions being held by whites and black managers not playing a significant role."

With Shell quoted on international markets rather than on the JSE, equity participation is not provided for, even for senior managers.

CWU general secretary Musi Buthelezi focuses on the multinational's reluctance to agree to centralised bargaining in the industry. Last September a dispute over establishing a provident fund resulted in a three-week strike. "Among the oil companies, Shell is the most hard-headed. We fight on all issues."

Drake says Shell "is concerned about negative union perceptions despite us being the best payers in the industry. We are working with the unions at developing more constructive relations."

Shell's other major stakeholders, its 850 dealers (there are 4 500 dealers in the total SA industry), appear far more content. Fuel Retailing of SA chairman Moses Molele talks about Shell being "highly progressive in its customer focus and treatment of dealers as partners where family fights are able to get resolved".

Similarly, Shell dealer council chairman Joe Bishop — the council meets Shell every

quarter at a national level — says: "If we raise issues, they get serious consideration."

Molele and Bishop both say Shell is a sought-after franchise and enjoys the highest throughput per pump in the industry — thought to average nearly 200 000 litres a month compared with an industry average of around 150 000 litres.

Shell is also the biggest supporter of the local taxi industry — giving it about R5m this year in the form of secondments, training, driver schemes and other projects. Taxi organisations publicly rejected the call to boycott Shell after the Nigerian executions.

Under government's present pricing formula, dealer gross profits are 18c/l compared with 14c for the oil company, which has lower operating costs. One quarter of Shell's dealers are black-owned and 60% are dealer-controlled (the rest are owned by Shell). Half the new dealerships opening up are black.

But the real money is in its 20 Ultra Cities which account for around 10% of Shell's petrol sales. Drake estimates that start-up costs are around R2m (borne by Shell). The required start-up working capital is R200 000 for a basic set-up. Shell does not provide assistance.

Drake is in favour of deregulating the highly regulated oil industry in a phased approach towards free-market pricing, "although this will lead to fewer stations and price drops, especially in urban areas."

Protected by a host of legislative restrictions and its own status as a fully owned subsidiary of a multinational, which means its financial statements are consolidated with its parent's, Shell is less than transparent about its operating performance.

What is known is net income after tax was R230m last year (R225m in 1994), contributing just under 1% of the group's net income on R4,7bn turnover.

□ Simon Segal is a freelance journalist based in Johannesburg.

JSE debut for Energy Africa (183)

CT(BR) 4/3/96
BY JOHN SPIRA

Johannesburg — Energy Africa, Engen's oil exploration company, made a successful debut on the JSE on Friday. The shares traded at around the 1 000c level — some 50c above the 950c a share placing price, capitalising the company at R917 million.

Engen retains 60 percent in Energy Africa, with the balance taken up by local and international investors.

Engen shareholders with 75 000 or more shares, together with certain local and international investors, were invited to submit competitive bids for Energy Africa, which will be making a renounceable offer to Engen shareholders with less than 75 000 shares.

Energy Africa managing director John Bentley said about \$90 million had been subscribed for the 40 percent of the company's shares that had been offered. About two-thirds had been taken up by foreign investors and one-third by local investors.

The shares are listed on the JSE's mining exploration board.

Energy Africa's assets include interests in four oil and/or gas fields which are in production or under development, and comprise:

□ An 8 percent interest in the Alba oil field in the British sector of the North Sea

□ A 10 percent interest in the Bukha condensate field offshore of Oman.

□ A net 2,25 percent interest in the Nkossa oil and gas field, offshore of the Congo

□ A 20 percent interest in the E-BT oilfield, offshore of South Africa

Energy Africa also has interests in offshore oil and gas discoveries in the Congo, South Africa, Namibia and the British. Other prospects have been identified in Angola, the Congo, Gabon and Namibia.

Bentley said Energy Africa would focus its activities in Africa to exploit a strategic advantage as an African-based company.

Primedia achieves growth of 37% for last six months

By JOHN SPIRA

Johannesburg — Primedia, an integrated media and communications group, achieved earnings of 95,2c a combined unit in the six months to December, up 37 percent up on the equivalent six-month period of 1994.

On turnover that rose 80 percent to R88,9 million, operating profit was 96 percent higher at R19,7 million and net income before debenture interest was ahead 60 percent at R22,9 million

William Kirsh, the chief executive, said though the results were not strictly comparable with those of the same period last year because of several recent acquisitions, "they reflect the success of the company's drive to become a leading integrated communications and media group".

Primedia also announced the acquisition of a 21 percent interest in the JSE-listed Datatec. Kirsh said this investment gave Primedia an indirect stake in the Datatec subsidiary Pipex Internet Africa, the largest Internet service provider in South Africa.

The acquisition is worth R31,6 million and will be made by a share swap. Primedia will issue 701 564 combined units for 4,6 million Datatec combined units.

Kirsh said that Primedia's operating margin had improved from 20,4 percent to 22,1 percent.

On Primedia's Datatec deal Kirsh said "Our entry into the Internet provides us with an important new advertising and communications platform, adding another dimension to the comprehensive spread of our services".

Another recent acquisition was a 50 percent interest in Geographic Business Analysis, which specialises in building, enhancing and analysing databases. Kirsh said this



ACQUISITIVE William Kirsh

PHOTO: JOHN WOODROOF

would enable Primedia to exploit the direct-marketing sector.

He said that the combined effects of new developments and acquisitions placed Primedia in "a very strong position to prosper in important sectors of the evolving media market".

He expected earnings for the second half of the financial year to reflect continued growth, though earnings would be influenced by the continuing health of the advertising industry and "the realisation of expected opportunities".

One such opportunity is presumably in radio, where Primedia has significant strengths as a result of its 702 activities.

Primedia Broadcasting has formed a consortium with local and international partners to bid for radio stations being sold by the SABC.

The clinching of one or more extra radio licences could change the group's earnings potential dramatically. The share price has soared 175 percent in the past 12 months, so the market is looking ahead to that potential.

JSE debut for Energy Africa

(183)
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Industry associations

Association executives under the spotlight

Analysts temper optimism on AECI

Mungo Soggot

CHEMICAL group AECI should report at least a 30% increase in earnings for the year to December, analysts said yesterday.

Those polled forecast share earnings of between 250c and 275c, compared with the previous year's 186c a share. However, they said a similar increase in the next financial year was unlikely, with one analyst predicting a small de-

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crease in earnings for the year to December this year as the firm's debt and low chemical prices bit

The Anglo American company's short-term borrowings ballooned to R803m (R307m) in its past financial year

Although Polifin, in which AECI has a 40% stake, was confident of a recovery in most prices, some analysts are wary.

AECI's share gained 50c on the JSE yesterday, closing at R23,50

Chances dim of staff buyout

Shake-up at helm of energy fund, Moss gas

Mungo Soggot

MOSSGAS MD John Theo and Central Energy Fund chairman Roy Pithey are jumping ship just days before the Cabinet decides whether to invest further in the plant ahead of its privatisation

Mineral and Energy Affairs Minister Pik Botha broke the news of the two departures to Moss gas's 1 200 employees over the plant's public address system yesterday, reassuring them about their futures and promising the resignations would not cause disarray. Senior members of the Industrial Development Corporation would probably replace Theo and Pithey, Botha said.

Pithey and Theo were in meetings at the Mossel Bay plant and were unavailable for comment.

Sources close to Pithey said he had thrown in the towel because of political meddling in Moss gas by Parliament, the auditor-general, hired experts and some limbs of government. It was understood Theo opted for voluntary redundancy for similar reasons. One source said that with Moss gas up for sale, it was time for him to get out.

His departure is likely to cut chances of a management and staff buyout of the plant.

Pithey said he had asked to be "relieved of his duties" as he had met most of the medium-term goals he set when he took the three-year post in March

1994. He had encouraged the Central Energy Fund's group of companies to wean themselves from their sanctions-busting past and operate more like private companies, fostering greater transparency, and had wanted to make Moss gas commercially attractive. "The marketability of Moss gas is being tested and I believe the investor interest already apparent indicates that it has commercial merit."

Botha is expected to go to the Cabinet tomorrow or next Wednesday to seek approval for a further R850m investment in the plant. Merchant banks are gauging private sector interest in the operation. Botha has said he wants it either fully or partially sold by the end of September. With R11bn already spent on Moss gas, many committees and advisers have been appointed — at huge cost — to look at further investment in the plant. Most prominent was the Moss gas monitoring panel, which cost the taxpayer R4,5m. It is understood Pithey disagreed several times with the panel, appointed by the parliamentary joint standing committee on public accounts.

The committee meets tomorrow to quiz Pithey and Theo again on the need to invest more in Moss gas despite the fact that the Cabinet has approved plans to test private sector interest in the plant and gauge whether government should pump in an extra R850m

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Adcock, Prempharm 'holding merger talks'

(183) CT(BR)S 3/96

BY ANN CROTTY

Johannesburg — Adcock-Ingram and Premier Pharmaceuticals are believed to be involved in joint negotiations, possibly with a view to a merger.

Speculation about a possible merger follows the publication of cautionary announcements by both companies yesterday.

A merger would create a giant pharmaceutical group with an annual turnover of more than R1-billion and an operating profit of about R300 million. Both shares enjoy a similar market rating and both companies generate similar strong profit returns.

Executives from neither company would comment on the speculation or give any indication as to the reasons behind their cautionary

Prempharm shareholders were advised that management was reviewing a transaction proposal and that "in the event of it being decided to proceed with the transaction, Prempharm's share price may be affected"

Adcock-Ingram's shareholders were advised that discussions were taking place which, "should they come to fruition", could have an effect on its share price.

If the two groups merged their activities there would be a limited overlap as they tend to specialise in

different segments of the market. In addition any merger — of part or all of their operations — would be unlikely to attract the attention of the Competitions Board as it would not create a dominant player in the industry or any segment of it.

Adcock-Ingram, which is 73,5 percent held by Tiger Oats, is a market leader in critical care, an area in which Prempharm has no involvement. There could be some overlap in the activities of both groups' medicine divisions, but it would not be significant.

Both have quite strong exposure to the over-the-counter (OTC) markets, with attractive and profitable branded products in their portfolios. Adcock-Ingram has a limited exposure to generics, Prempharm a stronger one. Combined, they would certainly increase their penetration of the medicine market but not to an extent that would raise concerns about competition.

Both are in household products, but this is such a highly segmented market that even their combined size would not create a significant player.

Prempharm is 58,7 percent held by the Premier Group and the Krok brothers hold an additional 30 percent. Thus both shares are quite tightly held. The advantage of this is that fewer parties are required to agree to a deal.

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Diesel now costs more than petrol for first time

Mungo Soggot

THE price of diesel will overtake the price of petrol for the first time today, rising 3c a litre to 187c/l in Gauteng, where petrol will stay at 184c/l, Central Energy Fund figures show

Fuel economists said yesterday the diesel price had been inflated by an unusually cold northern hemisphere winter and that its pump price, which is usually a few cents cheaper than that of petrol, should gravitate down in the coming months.

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Econometrix economist Tony Twine said the cold conditions in the northern hemisphere had depressed petrol demand and lifted demand for diesel and other heating fuels, causing a relative shortage of diesel

Transnet economist Mike Schussler said the diesel price should drop in March as the seasonal factors hitting it faded

Some in government, particularly in the trade and industry department, are keen to widen the gap between petrol and diesel by increasing the tax on petrol which

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is low compared with, for example, Europe. Proponents of the plan say this would have to be accompanied by efforts to make taxis switch to diesel, so diesel would become the economy's working fuel and petrol a luxury

Sapa reports from Cape Town that Golden Arrow Bus Services chairman Nic Cronje said SA was the only country in the world where diesel cost more than petrol "Diesel is not only used in public passenger transport, it forms the backbone of our freight transport and agriculture"

11

AECI to issue shares in Afex Holdings

Mungo Soggot

(183)
BD 6/3/96
AECI, Anglo American's chemical business, yesterday reported earnings up 37% at R395m for the year to December and unveiled plans to issue shares in Afex Holdings which could raise about R900m to cut group debt.

Share earnings were up at 255c (186c) in line with expectations. An 83c a share (68c) dividend was declared.

The group lifted turnover 21% to R6,7bn, while net trading profit was up at R645m from R430m. Another jump in debt and higher interest rates propelled the group's financing costs to R203m (R126m) and its tax bill rose to R146m (R100m), leaving net profit at R416m (R305m).

MD Mike Smith said he was pleased

Continued on Page 2

AECI

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Continued from Page 1

with the good performance from most divisions, particularly Kynoch Fertilisers, which blossomed because of the good rains and higher world fertiliser prices. However, gross margins were under pressure in the second half.

Smith warned against being too optimistic about the coming year because of the skittish rand and uncertainty about the recovery in plastics prices. A muted recovery in these prices would weigh particularly heavily on Polfin, in which AECI had a 40% stake.

The group's net borrowings, a source of concern for investment analysts, swelled to R1,4bn (R1,01bn).

Soda Ash Botswana — now Botswana Ash — drained R123m from the group's kitty. It spent R97m on obligations to the liquidated firm and R26m more recapitalising its investment in the new company, in which AECI held a 16% stake.

Last year Soda Ash Botswana was put up for liquidation by shareholders Anglo American, De Beers, the Botswana government and AECI, which then bought its liquidated assets back. It was too early to say how much damage this week's flood at Botswana Ash would do to the plant's performance. Director Johnny van Leeuwen said the operation had been doing well since last year's ownership shake-up.

AECI's planned capex for the coming year was just less than R400m — significantly less than the past two years' R1bn splurge on new capacity and plants — and would go on small plants, with no major expansions in the pipeline.

On global placement of shares in Afex, Smith said there was a great deal of administrative work to be done. At its current share price the placement could raise about R900m. The group had decided on the move as its investment in Afex Holdings, acquired from UK chemical group ICI in exchange for 51% of its explosives business, contributed to earnings but not cash flow.

AECI's earnings go up by 37 percent

By JOHN SPIRA

The chemical giant AECI has extended the robust growth it achieved at the interim stage with earnings up 37 percent to 255c a share for the year to December.

Though this was at a lower level than the 77 percent a share earnings advance at the halfway mark, the first-half comparison proceeded from an unusually low base.

Turnover for 1995 was 21 percent higher at R6,7 billion and net trading profit was 50 percent up at R645 million.

Financing costs rose 61 percent to R203 million and the tax charge increased to R146 million (R100 million) to produce after-tax profits of R296 million, 45 percent above the 1994 figure.

A final dividend of 58c has been declared, raising the year's total to 83c, which is 22 percent ahead of the 1994 payout.

Export revenues had exceeded R1 billion for the first time and consisted of 16 percent of total sales,

compared with 15 percent of total sales the previous year.

Financing costs reflected higher domestic interest rates, additional borrowings to fund expenditure on fixed assets and investment in working capital to support the higher level of sales.

Borrowings are, however, likely to be reduced before the end of the financial year because of the board's decision to realise the value of its investment in Afex Holdings.

Though Afex contributes materially to earnings, it does not contribute to cash flow.

AECI's investment in Afex was acquired from ICI in exchange for 51 percent of AECI's explosives business.

According to the directors "The board is exploring the option of a global placement of shares to reduce the level of debt and raise the investment capability of the group."

"Shareholders will be advised of details of the process of realisation once certain evaluations and requir-

ements have been confirmed and finalised," they said.

Mike Smith, the managing director, said though gross margins remained under pressure, efficiency gains and higher volumes had led to an improvement in the trading margin from 7,8 percent in 1994 to 9,6 percent in last year.

He said that AECI continued to identify opportunities for attractive new investment based on domestic cost advantage coupled with innovative technology and directed substantially at international markets.

"Some improvement in current trading conditions is expected during the year as stock levels stabilise in certain customer industries," Smith said.

"Given a continuation of moderate growth internationally, and provided disruptive and unpredictable events such as the recent volatility in the exchange rate do not intervene, some further growth in earnings should be achieved in 1996," he said.



EXPLOSIVE AECI's Mike Smith expects improved trading conditions

PHOTO JOHN WOODROOF

Building of dams in the Limpopo and Sand Rivers

*2 Mr A FOURIE asked the Minister of Water Affairs and Forestry †

- (1) Whether, with reference to his reply to Question No 24 on 7 September 1994, he or his Department has had a change in viewpoint as far as building dams in the Limpopo and Sand Rivers is concerned, if not, why not, if so, what are the relevant details,
- (2) whether any discussions have been held with (a) Zimbabwe, (b) Botswana and/or (c) Mozambique in this regard, if not, why not, if so, what are the relevant details,
- (3) how many cubic metres of water is it estimated flowed to the Indian Ocean during the Limpopo River flood in 1995 and were thus lost to the Northern Province?

N181E

THE MINISTER OF WATER AFFAIRS AND FORESTRY

- (1) No, our viewpoint remains unchanged. As stated in my reply to Question 24 of 7 September 1994 the development of a dam would be too costly for any other use other than urban industrial use, and then only on a very large scale. At present these demands are of insufficient magnitude to warrant a dam on the Limpopo River and other resources, such as the tributaries, are used, and planned for use, for these purposes.

- (2)(a), (b) and (c) Yes, discussions have been held with Zimbabwe, Botswana and Mozambique. The Limpopo Basin Permanent Technical Committee (LBTC), where all the co-basin states are represented, met on 14 August 1995. Subsequent to the LBTC meeting I visited all three countries. At the LBTC meeting the RSA proposed that a basic study of the Limpopo River be undertaken. The proposal was supported by all parties at both technical and ministerial levels. As a first phase to the study a hydro-metric investigation of the Upper and Middle Limpopo River will be carried out to confirm the extent of the water resources still available for development. Funds for the basin study are at present

that they want agricultural development along the banks of the river which fall in their country, an eminently sensible approach from their point of view.

Their point of view is that if we have to have food, it might be cheaper to import the cheap food from them. They are willing to participate with us when it comes to water which we use for domestic and industrial purposes. For the plan fact of the matter also is that although we treat dams as vast symbols of virility and power, it is very expensive to transport water from the dams to the areas in which it is required. I can assure Mr Fourie, who takes a very close interest in this—and quite rightly—that everything is on the table. Nothing is being ignored, because the decisions we take now, in the next three to five years, will govern the allocation of water resources for the next 40 to 50 years in the Northern Province and the rest of South Africa. So everything will be on the table, and the input of Mr Fourie and others will be carefully taken into account.

AECI: sulphur fire

*3 Mr P W SAALIMAN asked the Minister of Water Affairs and Forestry †

Whether his Department has carried out any tests to determine whether the sulphur fire that occurred recently at the AECI chemical factory in the Strand and dispersed sulphur dioxide in the area, has polluted any water sources for the use of residents of Macassar, if not, why not, if so, what was the result of these tests?

N182E

THE MINISTER OF WATER AFFAIRS AND FORESTRY

Yes. On being informed of the fire at the AECI premises, the Department of Water Affairs and Forestry immediately investigated the matter and made certain recommendations to the company concerned to prevent water pollution. These recommendations were carried out.

The water used by the residents of Macassar for domestic purposes is supplied by the Greater Cape Town Water Supply Scheme and could not be polluted as a result of the fire at the stockpile on the AECI premises. The impact of the sulphur fire was an air pollution problem and could have had, as we know, an effect on the health of residents and agricultural activities in the area. The impact on water sources

was negligible and did not restrict the use of water for normal activities.

Possible uses of the Eerste River in Macassar include irrigation, recreational use or livestock watering. According to the South African Water Quality Guidelines published by the Department (1993) the recommended pH for domestic, recreational and irrigation use, as well as livestock watering, ranges between 6,0 and 9,0. The monitoring done by the Department of Water Affairs and Forestry in December 1995 showed a variation in pH between 6,0 and 6,5 at all the stations, which is slightly lower than the normal pH of 7,0 to 7,5 (Eerste River at Macassar pH = 6,5). During the January survey the pH varied between 6,0 and 7,0 (Eerste River at Macassar pH = 6,5-7,0). These pH values are well within the specified limits of the General Standard as laid down by the Water Act, 1956 (Act 54 of 1956) and therefore acceptable to the Department.

Katse Dam in Lesotho

*4 Mr M F CASSIM asked the Minister of Water Affairs and Forestry

- (1) Whether the filling of the Katse Dam in Lesotho will create a potential for causing seismic tremors and earthquakes in the surrounding areas over the (a) short, (b) medium and (c) long term, if not, what is the position in this regard, if so, what are the relevant details,
- (2) whether he will make a statement on the matter?

N183E

THE MINISTER OF WATER AFFAIRS AND FORESTRY

(1)(a), (b) and (c) Yes. Mild local tremors have been observed at a village by the name of Ha Mapeleng, some six kilometres north of the Katse Dam wall. At the same time new cracks in the crust of the earth appeared along a weak zone in the rock that can be observed over a distance of 1,5 kilometres.

The earth tremors are considered to be directly related to the filling of the reservoir at the Katse Dam. The tremors are associated with the release of energy in the underlying rock as it adjusts to the addi-

tional mass of the stored water and to the changes in the water pressure in the rock mass. These tremors, commonly referred to as "reservoir induced seismicity", are a common phenomenon, especially at some dams with water depths of more than 100 metres and storing a large volume of water. Such tremors were observed during the filling of the Gariep Dam.

It is expected that local tremors could occur until the Katse reservoir is full and possibly for a short period after that. It is not possible accurately to predict future earthquakes and tremors, but experts have indicated that tremors measuring 4.0 and 4.5 on the Richter scale cannot be ruled out. Such tremors could cause damage to nearby structures not designed to resist such earthquakes, such as the traditional houses in the Highlands of Lesotho. The Katse Dam has been designed to withstand the effects of much larger earthquakes and would not be damaged by such tremors.

- (2) Yes. Controversial statements on the Lesotho Highlands Water Project have been made in the recent past. The project is progressing well and there is no need for concern regarding seismicity. The safety of the Katse Dam and environs as a result of reservoir induced seismicity were fully investigated by a team of international technical experts before the project began, and no particular risk was identified. Following the recent seismic event, a follow-up technical investigation into the matter was undertaken by a team of highly reputable experts from overseas and the previous findings confirmed.
- Villagers in the areas around the reservoir—remembering, of course, that Lesotho is an independent country—are being informed about possible future tremors and advised how to react if this should occur again.

*5 Mr M F CASSIM—Education [Question standing over]

SAPS brigadier appointed as executive assistant to Mfolozi area

*6 Mr A J LEON asked the Minister for Safety and Security

The MINISTER FOR SAFETY AND SECURITY Mr Speaker, the hon member asked the question and he himself did not deem it necessary to advise the House of the name of the said brigadier. I will therefore not do so either. The investigations have not been completed.

The investigations have not been completed yet, but they are fairly advanced. The matter was discussed with the attorney-general in the KwaZulu-Natal province and with the head of the team investigating this case. Merely on the basis of allegations or the evidence thus far collected, the attorney-general cannot as yet decide whether or not to prosecute someone, and we cannot talk about suspensions.

Mr A J LEON Mr Speaker, further arising out of the hon the Minister's reply, I want to know if he is prepared to give an assurance to this House that the position of executive assistant in the district concerned, a position which the brigadier currently holds, will not in any way affect or compromise the investigation into hit-squads which is being undertaken. In other words, will the continuation in office of the executive assistant not hamper the very investigation to which he is being subject?

The MINISTER Mr Speaker, should he do anything calculated to undermine the investigation, he will face the consequences.

Mossagas (183)

*7 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

- (a) What is the cost involved in closing down Mossagas for a month in order to carry out its biennial service and (b) what components is this cost comprised of? N186E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

- (a) and (b) The cost of the 1995 shutdown was R107 million and was made up as follows:
- R10 million — contract labour
 - R5 million — services (e.g. high pressure water cleaning, catalyst unloading, etc)
 - R4 million — materials and spares
 - R13 million — catalyst, chemicals
 - ±R75 million — lost production revenue as a result of the shutdown

±R107 million

Hansard 6/3/96

Biennial maintenance shutdowns are obligatory for all petrochemical plants in South Africa in terms of the Minerals Act, 1991. The Act requires that all petrochemical plants be inspected during their initial 12 months of operation, and thereafter every 24 months.

Foreign doctors in SA hospitals

*8 Mr M J ELLIS asked the Minister for Health

- (1) Whether any complaints have been laid with her Department and/or any hospital by any persons in connection with deaths occurring as a result of alleged negligent treatment by foreign doctors working in South African hospitals, if so, what was the nature of the complaints,

(2) whether any action has been taken as a result of such complaints, if not, why not, if so, what action?

Hansard 6/3/96 N187E

The MINISTER FOR HEALTH

- (1) The Department of Health has not received any complaints in connection with deaths occurring as a result of alleged negligent treatment by foreign doctors working in South African hospitals. The Interim National Medical and Dental Council of South Africa received approximately 246 complaints during 1994 and 1995 resulting from deaths of patients treated by doctors with limited registration and holding a foreign qualification. Preliminary investigations were conducted and of the total of 246 complaints, disciplinary action will be taken in only 5 cases and one case is still under investigation for possible disciplinary action.

The nature of the complaints was alleged negligent treatment by the doctor resulting in the death of a patient.

- (2) The five cases are awaiting full investigation by the Disciplinary Committee of the Interim National Medical and Dental Council of South Africa, at which time the extent of negligence will be determined and appropriate action taken.

An HON MEMBER What about Sarafina II?

The MINISTER FOR HEALTH Sarafina II is showing. The hon member can go and see it [Interjections]

The MINISTER FOR SAFETY AND SECURITY

(1) Yes, the possibility of transferring members from the South African National Defence Force (SANDF) to the South African Police Service is being explored

(a), (b), (c) and (d) As the possibility of transferring members from the South African National Defence Force to the South African Police Service is presently in an exploratory stage, it is not possible to provide the details requested by the Member

(2) No

Fishing/quota permits in the West Coast region
: 19 Mrs P DE LILLE asked the Minister of Environmental Affairs and Tourism

(1) Whether any investigation into the issuing of fishing and/or quota permits in the West Coast region has been instituted, if so, (a) when and (b) where will the report on the matter be available,

(2) whether any corrective action has been taken arising from the recommendations contained in the report, if not, why not, if so, what action?

N199E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

(1) No official investigation in this regard was instituted during the last couple of years. Allegations were made that certain members of the Quota Board have interest in the fishing industry. This is against the provisions of the Sea Fishery Act, 1988. These allegations were strongly denied by members. In order to investigate the matter comprehensively I requested Judge Kotze to investigate these allegations fully. I have extended an invitation to everyone who feels they have tangible evidence regarding these allegations to make this information available to Judge Kotze by not later than 8 March 1996.

(a) Not applicable

(b) Not applicable

(2) Not applicable

parties to whom such authority has been granted

(2) Falls away

SAPS: AK 47 rifles

*21 Mr A J LEON asked the Minister for Safety and Security

How many AK 47 rifles were (a) seized in the course of police action and (b) voluntarily surrendered to the South African Police Service for reward during the period 1 January 1990 up to the latest specified date for which information is available?

N201E

The MINISTER FOR SAFETY AND SECURITY

(a) 6 372

(b) 0

*Statistics from 1 January 1990 to 31 December/1990 were not kept by the South African Police Service as such. Above-mentioned statistics are only applicable from 1 January 1991 until 31 January 1996

Mossgas

*22 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

(1) What is the expected lifespan of Mossgas, taking into account all commercially exploitable reserves available to it,

(2) whether Mossgas intends exploiting all known reserves, if not, (a) why not and (b) which reserves does it not intend exploiting, if so, what are the relevant details?

N202E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Based on the available reserves in the FA gas field and its satellites, Mossgas' lifespan is between 5 and 6 years (1996-2001). If the proven reserves of the adjacent EM gas field are exploited, Mossgas' life will be extended by 4 years, to 2005. A decision on the EM gas field must be made by 1998/99 to give enough time for its development by 2001. Indications are that the life of Mossgas can be extended

indefinitely on a commercially justifiable basis by, for example, importing condensate as a feedstock

(2) In terms of the original decision to proceed with the Mossgas project, all the known reserves, namely the FA field, the FA satellite fields and the EM field, were to be developed. These are the only fields off the Southern Cape coast to date of which the reserves have been evaluated and proven, and contain feedstock suited to the current Mossgas processes. Mossgas would ideally intend exploiting all known reserves. However there are a number of contingencies which affect any decisions regarding exploitation of reserves, namely the current process of restructuring of state assets, revenue to be derived from further capital investments and developments in the national and international liquid fuels and petro-chemicals markets.

The main FA field is already being exploited. A decision on the EM field will need to be taken in the future in the light of the contingencies mentioned above.

For further details I wish to refer the hon member to my reply to question No 26 of 21 February 1996.

*23 Mr D H M GIBSON—Safety and Security [Withdrawn]

Coating of new coins

*24 Mr K M ANDREW asked the Minister of Finance

(1) Whether any problems are being experienced with the substance coating of the new 1c, 2c, 5c, 10c, 20c and 50c coins rubbing off, if not, what is the position in this regard, if so, what is the (a) extent and (b) cause of such problems,

(2) whether any action is to be taken to rectify these problems, if not, why not, if so, what action?

N205E

The MINISTER OF FINANCE

(1) No

(a) and (b) fall away

(2) Falls away

**Polfin workers
go on strike**

Star

7/3/96

(183)

Plastics and chemicals group Polfin yesterday said employees belonging to the SA Chemical Workers' Union and Chemical Workers' Industrial Union in the company's six operating divisions had gone on strike. This was after negotiations on wages and conditions of employment with the two unions had reached an impasse, said Polfin group industrial relations manager D B Steenkamp
- Sapa

Additional R485m granted

Mossgas wins

go-ahead for satellite fields

Tim Cohen and Linda Ensor

CAPE TOWN — Cabinet gave the go-ahead yesterday for Mossgas to invest a further R485m in satellite gas fields, which would make the beleaguered parastatal operate more profitably, enhancing its appeal for potential buyers.

Mineral and Energy Affairs Minister Pk Botha said government was also investigating pumping in a further R360m to install compressor pumps in existing gas fields.

The decision follows more than a year of debate over further state investment in the plant, which has sucked in about R12bn of taxpayers' funds since it was set up in the mid-1980s. Mossgas and its holding company, the Central Energy Fund, have complained bitterly of the cost of these delays in getting clarity on its future.

Botha said he was confident government would find a buyer, saying 84 companies had qualified to receive detailed information on the plant.

Rand Merchant Bank and consultants Arthur D Little are managing government's efforts to find a buyer by the end of October.

Botha hinted that one of the possibilities was to convert the facility into a fully fledged petrochemical producer, in which case some return might still be derived from the plant.

The first step might involve using the existing plant to produce methanol for export, he said, mentioning Algeria as a possible supplier of raw stock.

Botha said the Cabinet had made its decision just in time, because any further delay would have been very costly.

Government did not want to be in a position where it would be forced to sell Mossgas while the parastatal was not cash positive, which could happen in May next year if no action was taken.

Then government would be in a position where it could be "blackmailed" in-

Continued on Page 2

Mossgas

Continued from Page 1

to selling at a substantial discount.

The Cabinet would appoint consultants to assess more accurately the cost and revenue if the compression option was selected.

Botha regretted Theo and Pithey's departures, triggered by the bond of being responsible for running Mossgas but having no authority over its functioning.

He had not accepted the resignations and would welcome them back if they changed their minds in the light of government's decision.

Meanwhile, the parliamentary standing committee on public accounts, which met just before the Cabinet announcement, heard that unless potential buyers were content to keep Mossgas as a synfuel plant, it should stay in state hands as it saved SA scant foreign exchange.

Finance ministry adviser Charles Stride sprang to Mossgas's defence, suggesting government could explore many ways of optimising its performance by tweaking the industry's pricing regulations. In particular, he attacked the debilitating constraints im-

posed on Mossgas by its pricing deal with the industry and its restrictive agreement with Sasol, which cramped its ability to market its products.

Removing this burden and other price constraints on Mossgas could add massively to its meagre profits, Stride said.

Commenting on the constraints, Theo said Mossgas could save R60m on operating costs which, along with lifting the pricing constraints, would take its profit to R400m. Operating profit in financial 1994 was R114m, excluding its hefty subsidy.

Pithey told the committee that instead of bagging an expected R120m operating surplus this year, Mossgas's surplus might be only R50m, mainly because of its shutdown in October.

The endless delays in deciding Mossgas's fate had forced the fund to cut the valuation of its investment in the plant to R1,26bn from R8,5bn.

Pithey lamented the Cabinet's failure to appoint a new board of directors for Mossgas, even though the term of office expired at end-February.

Standing parliamentary committee on mineral and energy affairs chairman Marcel Golding said the committee had short-listed candidates for the Mossgas and energy fund boards, but would not disclose their names.

PA 7/3/96 (183)

(183)
PA 7/3/96

Polifin hits back at strike with lock-out (183)

By JAMES LAMONT

Johannesburg — Polifin, the plastics and chemicals producer, implemented a lock-out against members of the South African Chemical Workers Union (Sacwu) and the Chemical Workers Industrial Union at its Midland factory in Sasolburg on Monday night, after workers went on strike at six Polifin operating divisions.

Though some 1 500 chemical workers went on strike on Monday for wage rises and improvements in working conditions, industrial action began at Polifin's chemical division at Umbogintwini three weeks ago.

Manene Samela, Sacwu national organiser, said workers wanted a 13 percent wage increase and settlements over shift allowances, public holidays and overtime. He said the demands had nothing to do with inflation but rather with the good performance of the company.

"Polifin made huge profits last year and workers want a share of the wealth created," he said.

Polifin offered workers an 11 percent across-the-board increase.

Strikes are in progress at Jacobs and Benoni plants of PVC Compounders, the chemical division at Umbogintwini, and the Recycling Plastic plants at Elandsfontein and Sebenza.

Polifin also implemented a lock-out at its Vynide plant in Somerset West.

Polifin claimed that production had not been affected by the action.

However, a Polifin spokesman said yesterday efforts to end strike action "looked promising" in spite of the plastics and chemical group's resolve not to give way on wage demands.

"We are fairly optimistic that the industrial action will be resolved in the immediate future," said Daniel Steenkamp, Polifin industrial relations manager. He said negotiations were not taking place, but Polifin was "waiting to see what the unions come forward with".

Steenkamp said that the chemicals manufacturer had no intention of granting more than the "fair" original offer. He added that the proposed conditions of employment and wages were among the best in the industry and that an employee shareholding scheme had been implemented.

CT(BR) 7/3/96

CABINET APPROVES INVESTMENT

R485m to extend Mossgas' lifespan

(183)

CTAF 7/3/96

INVESTMENT APPROVED BY the cabinet yesterday will enable Mossgas to continue operating into the next century, **BARRY STREEK** reports.

THE cabinet yesterday agreed to invest a further R485 million in Mossgas to develop satellite gas fields

This will extend its life to at least 2001 and enable it to maintain full production after next May

The decision, Mineral and Energy Affairs Minister Pik Botha said yesterday, was the wisest and the only realistic option

He emphasised that taxpayers would not have to pay for the development of the satellite fields because this would be funded through the R38m a month positive cash flow Mossgas was generating.

The decision to allow the development of the satellite fields would result in a return of R920m in addition to the R695m Mossgas was expected to earn over the next 18 months

Botha said the cabinet had also decided to appoint consultants to investigate the installation of compressor pumps to draw out gas once natural pressure was no longer sufficient

If it was decided that R845m could be invested in full compression, this could result in a return of R2,8 billion.

If, however, it was decided not to invest any more in Mossgas, full production could be maintained until May next year and the gas flow would decrease until September 1997 when operating costs would exceed income

Abandoning the plant would cost R660m and although this would happen at the end of all possible options, the exploitation of the satellite fields, full compression and the exploitation of the adjacent EM gas field could extend

the life of Mossgas to 2005

But Botha added "We are still trying to sell it," saying the first prize would be the establishment of a long-term petro-chemical plant and the production of methanol for export

The R12bn costs involved in Mossgas would be recovered if this eventually happened

Botha said consultants had contacted 184 companies about Mossgas, and 56 decided not to pursue the project

Of the remaining 128 companies, 84 had received an invitation to pre-qualify and would receive detailed information on Mossgas, undertaking site visits before submitting indicative offers by the end of May.

Shortlisted prospective investors would submit final proposals by August and the restructuring could be completed by October.

Botha said there had been interest from major South African and foreign companies

Mossgas stand is welcomed

BD 8/3/96 (183)
Mungo Soggot

CABINET's decision to allow Mossgas to invest R485m in satellite gas fields was welcome if a bit late in coming, outgoing Central Energy Fund chairman Roy Pithey said yesterday.

Pithey said Wednesday's announcement was an expression of confidence in the plant and should boost flagging staff morale.

"The delay has certainly cost a lot of money. But it now gives Mossgas some direction."

He was responding to Mineral and Energy Affairs Minister Pik Botha's announcement that Cabinet had approved the gas field plans. The decision to spend a further R360m on compression units for the existing fields would remain on ice pending further technical investigations, Botha said.

On Monday Pithey and Mossgas MD John Theo announced their resignations. Mossgas's public relations department said their decisions had been spurred both by personal reasons and by government's rejection last year of their proposal for the gas fields. Industry sources said both Theo and Pithey had grown frustrated at having the Mossgas operation treated as a political football.

Pithey told the parliamentary joint standing committee on public accounts before the announcement, that Mossgas's surplus this year might be only R50m, against the R120m which had been expected before it was hit by a shut-down in October.

Comment: Page 12.

DRUG POLICY (183)

LOCAL ANAESTHETIC

FM 8/3/96

After many initial differences, it appears major players in the pharmaceutical industry and Health Minister Nkosazana Zuma are slowly moving towards some consensus on a drug policy for SA

Though clarity is still needed on some points, Zuma's announcement of a National Drug Policy last week and the industry's initial response point to a truce

A breakthrough for industry is Zuma's statement that nonpharmacists will, in principle, be allowed to own pharmacies. The industry has long argued that the Pharmacy Act prohibition gave professional pharmacists a virtual monopoly over retail drug sales

But Pharmaceutical Manufacturers' Association CE Mirryéna Deeb questions the policy stipulation that "the conditions under which such ownership will occur will be determined by the Department of Health"

The industry has always agreed that pharmacies owned by nonpharmacists should still be managed by qualified pharmacists but, she says, the department should not determine who should be allowed to buy pharmacies, that should be left to a free market

Zuma's policy also dictates that the Pharmacy Council should "be consulted as part of this process". The council, which looks after the public's interest, comprises mostly pharmacists and has until now steadfastly opposed deregulating pharmacy ownership

The policy also spells the end for dispensing doctors. In future, only practitioners registered under the Medicines & Related Substances Control Act may be used for the manufacture, supply and dispensing of drugs

In addition, Zuma wants a committee to monitor and regulate prices and she seeks to ensure transparency in the pricing structure of pharmaceutical manufacturers, wholesalers, dispensers, private clinics and hospitals. If this leads to lower drug prices, says Deeb, the move should be welcomed

Government wants all drugs at primary health care level to be free, at secondary and tertiary levels, a fixed, affordable co-payment for drugs supplied by the State will be levied. For those without resources to meet such payments, a system of exemption will be established

The use of generic drugs is recom-

mended to reduce drug costs. The availability of generic, essential drugs will be encouraged through incentives that favour the production of generics

The policy directs that "prescriptions in the private and public sectors will be written using the generic name"

This brings into question whether the patient's right to choose between a generic or brand name is ignored and whether the medical practitioners' judgment is disregarded. Enforcing such a measure smacks of State intervention in the private sector and interference in a patient's constitutional rights

Drug manufacturers appeared conciliatory when big players committed themselves to "supporting the prohibition of unlawful price discrimination which conflicts with the principle adopted by our courts when applying competition law"

The industry has undertaken to end all off-invoice bonuses to doctors on sales of prescription medicine by the end of next month. In the past many doctors, while reaping the benefits, did not pass on these discounts to patients ■

Agip has 98% of the gas market in Italy and though it sources gas from eastern Europe, including Russia, 45% of its raw materials comes from oil and gas fields in Africa and is piped across the Mediterranean from Algeria

Agip sold its coal mining interests throughout the world, including those in SA, four years ago. Its only local involvement at present is in the lubricants market through Agip Lubricants, controlled by ENI through AgipPetroli, which distributes its refined products. Agip Lubricants shares a mixing plant in Durban with a number of other oil companies.

"When and if we choose a partner and decide to proceed, the investment will be long-term," says Babb. "We are planning now for the next century."

"There's Italian interest in the Mozambican Corridor being planned by the SA government. It will lead to easier access to east Africa, where Agip is present, and to a vast increase in road traffic, which will lead to an increase in the usage of liquid fuels and open the door to more participants. But there are problems."

The main one is the local industry's impending deregulation, which may see a clamp on the number of retail outlets.

"We are at the start of that stage now," says Babb. "But a lot depends on Sasol, which also wants to get into distribution but can't because it has an understanding with the other oil companies, is subsidised by government and is an upstream provider for the oil companies."

ENI is the biggest gas company in Europe and is examining the distribution and sale of gas in SA. But, says Babb, "gas doesn't look promising here because of the lack of an anchor user. Eskom could be a major user but isn't fuelling any of its plants with gas which — unlike electricity — doesn't suffer from line loss. The Western Cape, which is poorly served with energy, could draw its energy from the Kudu gas field — as could Saldanha, which is 120 km closer to the field. Gas could be piped from the gas field to users in the Western Cape where it could be turned into electricity and distributed regionally with a minimal loss of energy." ■

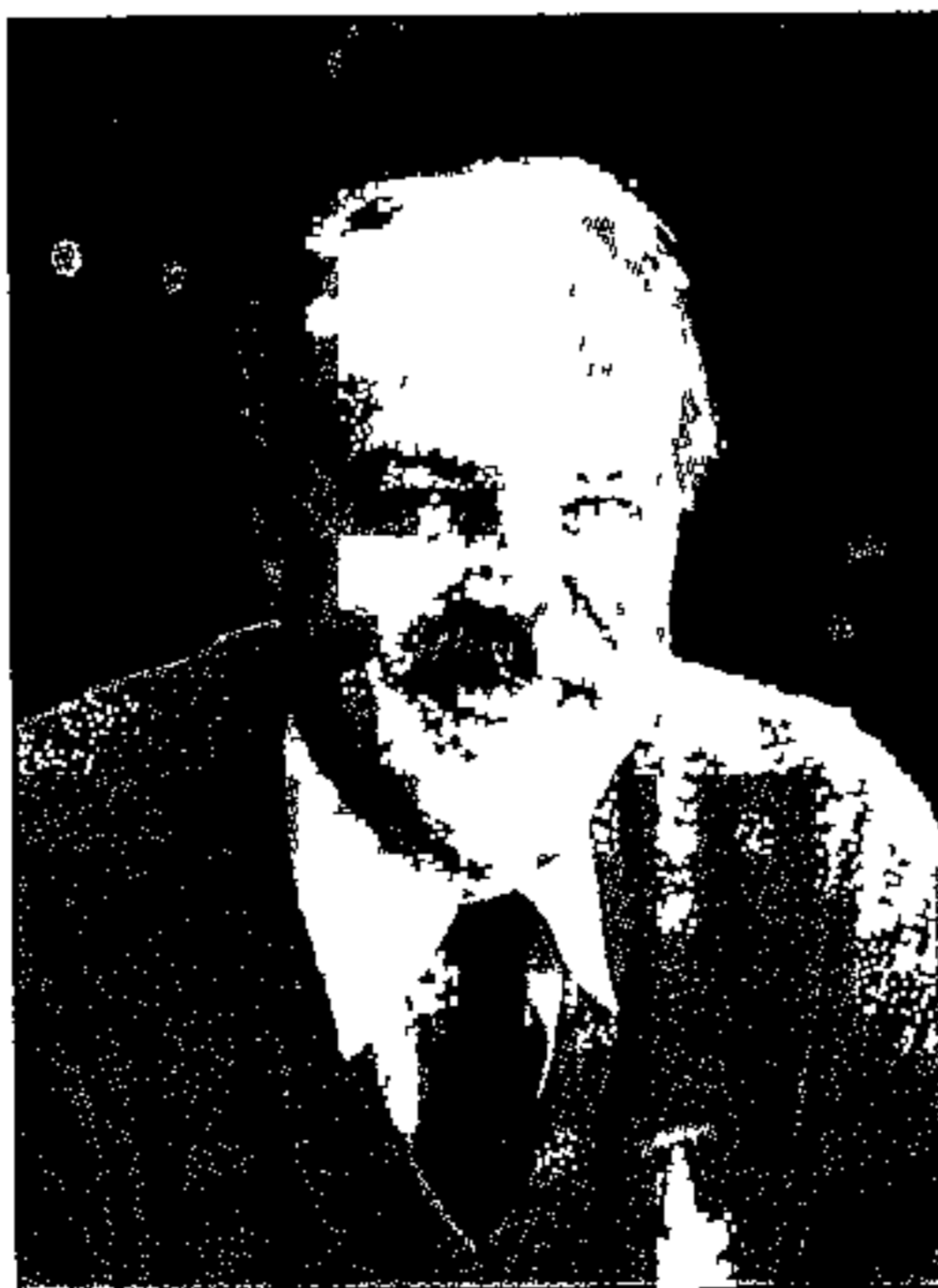
(183)
PM 8/3/96

NEW PLAYER

Italian energy giant Agip is discussing joint ventures in the liquid fuels market with major players in SA, says local Agip chairman Glenn Babb.

Babb, former SA ambassador to Italy, says that local holding company ENI is also investigating opportunities that may exist in Mossel Bay, the Kudu gas field off the Namibian coast and the Pande gas field in Mozambique.

Two high-powered delegations from State-owned Agip visited recently to hold discussions with major local oil industry interests, whom Babb refuses to name. Talks were also held with government, Mossgas and Sasol aimed at creating "a synergy" between Agip's activity in SA and countries to the north, where it is a big player at all levels of fuel procurement, sales and gas and oil field operation. It is also involved in refining and retailing.



Glenn Babb planning for the next century

POLITICS BRIEFS

Union backs govt on Mossgas

COSATU'S Chemical Workers' Industrial Union (CWIU) yesterday backed the cabinet decision to authorise further development of satellite fields of Mossgas at a cost of R495 million (183)

However, it lashed out at the Mossgas management and said the Minister of Mineral and Energy Affairs, Mr Pik Botha, should be more transparent and more committed to consultation.

"Despite the problems concerning the Mossgas project, CWIU is convinced that further investment is necessary," the union said

Replying to a question in parliament from Mr Kobus Jordaan (DP), Botha said yesterday the biennial maintenance shutdown of Mossgas last year cost R107m.

The biennial shutdowns were obligatory for all petrochemical plants in terms of the 1991 Minerals Act, Botha said.

AECI (183)
PLANS TO CUT DEBT
 FM 8/3/96

Two years after initiating a strategy to reduce its dependence on commodity chemicals and diversify into value-added lines with high export potential, AECI can congratulate itself on the success of its first moves if its annual results for 1995 are anything to go by

Plans are now in hand for the second phase a major capex programme in 1997-1998 which will focus on the fertiliser, fibres and biotechnology sectors, expanding existing businesses and developing new ones

The group faces two obstacles in its path Debt of about R1,5bn — occasioned largely by expenditure on capital assets in the past two years, says finance director Neale Axelson — which has hoisted gearing to 54%, must be reduced before further expansion can occur

The current circular group structure, which entails AECI owning about 25% of

EXPLOSIVE GAINS		
Year to December 31	1994	1995
Turnover (Rm)	5 547	6 705
Operating Income (Rm)	430	645
Attributable (Rm)	287	395
Earnings (c)	186	255
Dividends (c)	68	83

FINANCIAL MAIL • MARCH 8 1996

itself through its 50% share in Afex Holdings, whose only investment is a 50% stake in AECI, ties up potential investment capital At current market value the holding, if unbundled, could be worth about R900m, says Axelson

To raise money for retiring debt and boosting investment capability, the directors are planning a global placement of shares "We have decided on the preferred option for raising money, now we must set up the mechanisms," says Smith The timing and details of the offer will depend on markets, both locally and internationally, he says, but it should happen this year.

Turnover growth of 21% fed into 38% in attributable earnings — well within market expectations — and margins climbed to 9,6% (7,8%) The all-round performance of the group was "very satisfactory," says Smith laconically

Growth in trading profit and earnings was spread fairly evenly — though fertiliser and chemicals subsidiary Kynoch did exceptionally well, benefiting from the recovery in the maize and sugar industries after the rain, and boosting exports "The big growth year-on-year has been in fertilisers," says Smith

AECI's explosives and polymer interests, hived off into joint ventures with ICI and Sasol respectively, have proved the sagacity of this refocusing, boosting returns considerably

Exports topped R1bn for the first time, and Smith expects them to grow ahead of domestic sales in the coming year "But a lot depends on world prices," he says

The share price, now 2350c, has fallen from a 12-month high of R32 set in May last year but is up from a low of 1 975c in early December

Analysts are divided on its prospects in view of its exposure to global price shifts, though more diversified earnings streams should cushion cyclical effects



Mike Smith

Opinions on the share range from fairly priced to "dead cheap" But sensible goals, underpinned by a more active top management approach, indicate value in the medium term

Margaret-Anne Halse

CHEMICAL INDUSTRY

HUGE PROJECTS IN PIPELINE

Booming demand for feedstock has forced the chemical and crude oil refining industries to start planning multibillion-rand projects that must come on stream within the next six years

Polifin CE Trevor Munday says a consortium of petrochemical companies must be formed by year-end to plan an ethylene cracker by 1998, if it is to start operating by 2003-2004. The reason is that SA is fast heading for full capacity utilisation of Polifin's ethylene output — and the petrochemical and plastics industries cannot expand without additional feedstock.

Implicit in the planning is whether the cracker will be situated inland near coal-based Sasol, or on the coast where most oil refineries are situated. The project could be influenced by government's pending restructuring of the R50bn/year petrochemical and liquid fuels industries (*Business* March 1)

Sasol says it is looking at three possibilities to increase monomer feedstock capacity

- Evaluating available feedstock streams at its giant Secunda plants, as a base for an inland, coal-based cracker,
- Launching a coastal naphtha cracker, based on imported feedstock, or

- Forming a joint venture with one or more crude oil refineries to link the proposed monomer cracker with existing or new coastal refining operations

Polifin's ethylene production capacity of 400 000 t/year is fast reaching full usage and local market offtake of 350 000 t/year should reach full capacity soon — when the group's PVC plant at Sasolburg comes on stream

Safripol spokesman Piet Cillers says his group uses 160 000 t/year of Sasol-sourced ethylene to produce high-density polyethylene — and future expansion to meet growing local demand can be countenanced only on a basis of in-

creased feedstock availability

The refining industry expects its gasoline capacity overhang of about 1bn cubic litres a year to be fully taken up by 1998. "We are holding discussions and looking at opportunities to meet future demand for both petrochemicals and refined product. The likelihood is that more players will join forces," says Engen spokesman Tanya Hickert.

Predictably SA Petroleum Industry Association spokesman Colin McClelland says the global norm for producing petrochemical feedstock is to go the crude oil-based route. "Surely we cannot continue subsidising a petrochemical synfuel company of proven profitability (Sasol), as well as Mossgas at a rate of R3m/day, when the refining industry can economically meet future demand for both gasoline, diesel and petrochemicals?" asks McClelland.



Meanwhile, government has appointed the Central Energy Fund (CEF)'s Mossgas business development manager David Day as caretaker CE to replace John Theo, who resigned earlier this week. Says Day "It is difficult for a businessman to serve in this kind of environment. Mossgas has the impossible task of planning its future, while being hamstrung by political agendas." CEF chairman Roy Pithey resigned at the same time as Theo.

Government now has to deliberate on the future of Mossgas, with specific reference to its request to use its own cash flows to finance an R850m investment in

(189) AM 8/3/96
satellite gas fields, as well as added compression, which will extend the availability of gas reserves. A decision in favour of the expenditure is expected. Industry pundits say government cannot afford to "throw away" R1bn of taxpayers' money without exploring all avenues to resuscitate the white elephant. But perhaps Theo and Pithey already had an indication of what is to come? ■

FREE TRADE AGREEMENT

LAST TANGO?

AM 8/3/96
Talks on the long-awaited free trade agreement between SA and the 15 European Union (EU) countries should start at the end of this month. The next EU Council of Ministers, called for March 25, is to mandate the European Commission to start negotiations immediately.

Officially, a formal agreement should be finalised by June and — according to the French Embassy — possibly signed and sealed by President Nelson Mandela in mid-July during his scheduled visit to France for Bastille Day. But sources at the EU are dismissive of the French opportunity. They estimate that the earliest the text will be ready is next year.

Negotiations to date have been delayed by the completion of an impact study — demanded by France — on the consequences of the agreement on the EU's economy. Due in June, the study was released at the end of November. Why it was only presented to the EU Council of Ministers on February 26 is not clear.

The study has given the green light to an SA free trade agreement with the EU as long as certain ranges of "sensitive" products are excluded. The EU Committee of Permanent Representatives (Coreper) still has to reach consensus on the list of exceptions that the 15 countries want covered.

French Embassy First Counsellor Nicolas Normand says "At last the general architecture of the deal has now been approved. Press reports that France re-

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(189) AM 8/3/96
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State got

36% of

fuel price

(183) (200)

THE state received R6,673,992,199 from the sale of petrol last year and R3,168,378,835 from the sale of diesel, Mineral and Energy Affairs Minister Pk Botha said

This was 36,36 percent of petrol's retail price, and 32,28 percent of diesel's, he said in a written reply to a question from Kobus Jordaan (DP).

The money came from tax and excise duty.

Sapa ARG 9/3/96

Cabinet now for Moss gas development contracts (183)

Cape Town - The Cabinet yesterday approved initial contracts to develop satellite fields of the R12-billion Moss gas oil-from-gas plant, Mineral and Energy Affairs Minister Pik Botha said.

An official said the initial commitment would be between R90-million and R100-million, which would be covered from Moss gas's operating surplus and not financed by the state.

Botha said the Cabinet had authorised various ministries to continue the search for a buyer for the plant.

"The import of the Cabinet's decision is that it has decided to move towards developing the satellites and to check out the cost and revenue figures of compression.

"In the meantime, the market-testing process will go ahead," Botha said.

He said that after an initial invitation to 184 companies, 128 were still showing an interest in buying the facility, which was built to help white-ruled South Africa evade the impact of anti-apartheid sanctions.

"Although the response to the market-testing exercise has been encouraging, there still exists a possibility that there will be no acceptable offers," Botha said.

"The Cabinet decided to ensure Moss gas's continuing viability by authorising the initial contractual commitments to develop the satellite fields in order to guarantee future gas supply."

Botha said government-appointed advisers believed that the development of the satellite fields would not hinder the privatisation of the Moss gas facility. "The development of the satellite fields would enhance the cash flow and thereby increase the value of Moss gas," he said.

Development of the satellite fields would cost R485-million and yield a R920-million return, he added. - Reuters.

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AECI in global share offer to reduce debt

(183) ST (BT) 10/3/96

By MARCIA KLEIN

AECI, producer of explosives, fertiliser and plastics, will raise about R900-million through a global placement of shares to reduce debt and increase investment capability

Mike Smith, the managing director, announced the move this week when he reported a 37% rise in earnings to 255c a share for the year to December

AECI intends realising its interest in Afex (a pyramid company) which is worth R900-million at current levels. Referring to the holding in Afex, Mr

Smith says the group's structure "constrains significant and sustained expansion". It acquired a stake in Afex from ICI in exchange for 51% of its explosives business, but has always indicated that the structure was temporary.

Mr Smith says the Afex investment has the effect of boosting earnings, but not cash flow.

The disposal of Afex will be the last, at least for a while, of a number of ma-

ajor deals. Apart from the ICI deal, AECI and Sasol successfully listed their plastics joint venture Polifin last year. "We will probably pause for a breath," Mr Smith says.

Figures for the year show that turnover grew by 21% to R6,7-billion. This includes strong growth in exports to reach over R1-billion for the first time.

Mr Smith says most companies in the group export, but the three big exporters are Kynoch Fertiliser, SA Nylon Spinners and Polifin.

"We expect exports to increase as a percentage of total turnover. All of the new businesses we are going into tend to have high export content."

AECI sees the whole world as its market, exporting to Europe, the US, the Far East (its fastest growing market), South America and Africa.

Mr Smith says Polifin has settled down, is run well and has managed to establish a culture independent of AECI and Sasol. Problems at Soda Ash, which was provisionally liquidated last year, "are mostly behind us and we now have a minority 16% stake."

AECI, like many industrial companies, says there was a slowdown in the second half. The group is expecting some improvement in current trading conditions as stock levels stabilise in its customer industries. Further earnings growth is expected in 1996 if there is moderate growth internationally, and if events like the volatility in exchange rates do not intervene.

Mr Smith says the rains have improved prospects for the fertiliser business.

Pik's Mossgas gravy boat for consultants (183)

ST(BT) 10/3/96

By GARAN RYAN

MOSSGAS, which was given a R485-million lifeline by government this week, is turning out to be a gravy boat for consultants

A total of R6.5-million has been earned to date by the independent Mossgas Monitoring Panel

The monitoring panel will continue to consult for Mossgas, while a new set of consultants, London-based Chem Systems, will also be brought on board

The government is paying more than R1 000 an hour plus expenses for some overseas consultants — and considerably less for locals

One oil industry observer notes that the monitoring panel has been able to generate additional work for itself through its repeated recommendation that further studies be undertaken

Consultants Arthur D Little, which resigned recently from the monitoring panel, and Rand Merchant Bank, were appointed last year by the Department of Mineral and Energy Affairs to find a buyer for Mossgas

Meanwhile, Mossgas is racing ahead with plans to tap nearby gas fields following the Cabinet's decision to back the project But the bureaucratic meddling which forced executives Roy Pithey and John Theo to resign earlier this week looks set to continue

Conditions attached to the R485-

million lifeline allow the State to back out of the project at any time The money buys Mossgas another two years as a synthetic fuels producer, and more if the plant is used for methanol production

Vessels and rigs are being hired as a matter of urgency, but cancellation clauses built into the contracts will allow the government to back out of the project should a buyer decide it does not require the additional gas

Furthermore, Mossgas must get approval from government for each stage in the development. Pik Botha, Minister of Mineral and Energy Affairs, says the government is investigating the sinking of an additional R360-million into Mossgas for compressor pumps to maintain a strong gas flow when natural compression weakens.

David Day, caretaker chief executive of Mossgas, describes this week's Cabinet decision as a "stay of execution"

Roy Pithey resigned as chief executive of the Central Energy Fund and John Theo as managing director of Mossgas. It is known that both were unhappy with delays over additional funding The delays have added R100-million to the cost of extending the fields.

CARETAKER: David Day, new CE of Mossgas

Picture: CHRIS COLLINGRIDGE



R10-m of data on SA
oil and gas fields sold

(183) *Star 12/3/96*

South Africa has sold R10-million worth of geological and borehole data to parties interested in her offshore oil and gas fields, Mineral and Energy Affairs Minister Pik Botha said yesterday. A major oil company was showing interest in a block situated off the east coast, he said in a written reply to questions from NP MP Johan Niemann. - Sapa

Key management quitting Mossgas

Mungo Soggot

MORE than a third of key management members at Mossgas have quit, throwing into question its ability to operate efficiently and raising fears that generous severance packages could further drain the company's depleted cash balances.

It emerged yesterday that the exodus included a large contingent of top technical staff.

The retrenchment programme agreed to by management and unions for fewer than 60 of Mossgas's 1 200 staff has 220 takers so far. The desertions follow the resignations of MD John Theo and Central Energy Fund chairman Roy Pithey last week.

Mineral and Energy Affairs Minister Pk Botha vowed yesterday to investigate after he was tipped off by the Chemical Workers' Industrial Union

BD 12/3/96 (183)

Government is busy testing private sector interest in the plant, which it wants to sell in part or full by October.

Sources involved in the sale process said the exodus could taint Mossgas's attraction and jeopardise operational and safety performance.

The size of management payoffs — equal to nine months' pay — could also prove unpalatable, given government's decision last week to consider another R360m investment by the parastatal.

Mossgas said yesterday that none of those leaving had signed confidentiality agreements, leaving them free to be employed by potential buyers.

It is understood the severance packages include relocation costs and help in paying off cars and houses.

Spokesman Harry Hill said Mossgas had still to quantify the costs of the

Continued on Page 2

Mossgas

(183)
BD 12/3/96

Continued from Page 1

packages, but they were broadly equivalent to nine months' pay.

The energy fund, Mossgas's holding company, warned last week that Mossgas's surplus this financial year would only be about R50m. It had been on track for R120m before being hit by a shutdown in October. Mossgas's operating profits are supposed to be used for the R485m project approved last week to tap satellite gas fields, which will extend Mossgas's life.

The union said Mossgas management's acceptance of 220 redundancy applications broke an agreement signed by management, the union and Botha last month. The union, which had opposed rationalisation, had agreed that 53 positions identified as redundant could be chopped, but had insisted that any further restructuring

be negotiated.

It said yesterday that contrary to undertakings, no criteria had been applied to the voluntary redundancies. Management had decided not to apply any criteria to the applications for voluntary retrenchments and not to restrict them to redundant posts so senior managers could have access to lucrative packages, the union said.

Union president Musi Buthelezi said the union had contacted Public Enterprises Minister Stella Sigcau as management had flouted the National Framework Agreement on restructuring. Buthelezi said it had been agreed at last month's meeting that any restructuring be bound by the framework agreement, which forces thorough consultation between all parties on any parastatal restructuring.

However, Mossgas said it was surprised by allegations that it had breached the deal, saying local union representatives had agreed to all the voluntary redundancies.

Ex-chief slams control of Moss gas

CT(BR) 12/3/96(183)

By JAMES LAMONT

Johannesburg — Roy Pithey, the former chief executive of the Central Energy Fund (CEF), yesterday criticised the way Moss gas is governed, claiming management is denied a say in Moss gas's future and that taxpayers' money is wasted by indecisiveness.

Pithey, who resigned from the CEF earlier this month, struck out at the parliamentary process that determines the future of Moss gas, the state-owned gas-to-oil synthetic fuel producer.

"It's not an atmosphere constructive to debate," he said of gridlocked differences between the parliamentary joint standing committee on public accounts, the cabinet and the management of Moss gas that have left the fate of the plant in limbo.

"They (the parliamentary committee) are fiddling while the gas runs out."

Pithey complained that the parliamentary committee, which had assumed authority for decisions on Moss gas, was not prepared to take responsibility for its future development and was deliberately stalling to obstruct P. K. Botha, the minister of mineral and energy affairs.

"If they believe they have the experience and skills to do the job of the boards, I think they ought to do it," he said of a struggle in which he believed management's opinion and a Moss gas business plan had been ignored.

"Investments in the strategic stockpile, Moss gas and Soekor have been made, we cannot wish them away, but they (the government) don't seem to want to take the responsibility," he said. "And they are not allowing others to take decisions, at least to commercialise the activities."

Pithey has said Moss gas, which is widely viewed as an apartheid-era white elephant, had appeared to become a political football in a playoff between parliament and the cabinet portfolio

of mineral and energy affairs, held by the National Party.

He also said that the Moss gas debate had drawn attention away from retail fuel and mining-related issues.

The latest debacle was the delayed decision, announced last week, to invest in the extension of satellite fields, and the haphazard approach to privatising the R12 billion state asset.

Moss gas was given a R485 million lifeboat by the government to develop satellite fields. The decision to spend a further R360 million on compressors remains on hold pending further technical investigations.

The additional investment secures Moss gas another two years as a synthetic producer, but the delay in taking a decision from November to February is believed to have cost between R80 million and R100 million.

Pithey has argued that the cash-positive Moss gas be allowed

to prepare itself for continued synfuel production. He has criticised hurried efforts to sell Moss gas, because he believes that optimal usage of the plant would come from continued synfuel production if the government supported a regulatory environment.

"Synfuels are of value to the nation," he said of the operation's benefits for the balance of payments and job creation. "If the government wants to explore privatisation, it has a viable alternative which is running."

Pithey did not believe that Moss gas's future lay in private hands, but was adamant that something should be made of investments using taxpayers' money.

"Our value on Moss gas is based on synfuels. We do not believe that you will get a better value from the private sector. No buyer has yet emerged with any idea to make that facility worth more to the nation," he said.



FED UP Roy Pithey says parliamentary indecision over Moss gas has wasted taxpayers' money

PHOTO: JOHN WOODROOF

Swiss merger will reach SA

(183)

Edward West

BD 13/3/96

THE proposed merger of Swiss pharmaceutical companies Sandoz and Ciba Geigy would give the merged local subsidiaries the second biggest share of the SA pharmaceuticals market after Premier Group company Rental, Sandoz local CEO Lothar Erhardt said yesterday.

The merger is expected to be ratified at shareholders' meetings on April 23 and 24. Sandoz, SA's 11th largest pharmaceutical supplier, employs about 100 people locally for its pharmaceutical and agricultural product businesses, while Ciba Geigy, employing about 700 people locally, is SA's 24th largest supplier.

While the deal was likely to result in a cut of about 10% in the work force internationally, SA job loss was likely to be minimal as the focus was on growing business.

A source said Ciba Geigy's specialty chemicals operation would also be demerged in the next eighteen months and it was possible that the local dye and polymers chemical operation could be sold as part of the demerger. Ciba Geigy's local CEO Richard Hartland said the effects of the merger would hopefully be minimal in SA as the companies' products and markets were complementary in most respects.

Oil officials perplexed by reference to unknown group

Mungo Soggot

(183)
BD13/3/96

STATE oil officials were in the dark last night over references by the Reuter news agency to an SA National Oil Company

Reuter reported from New York that the Phillips Petroleum Oil Company had signed a technical co-operation agreement with the SA National Oil Company, giving it rights to examine natural gas potential off SA's east coast. Officials were nonplussed by the reference and said the report was presumably referring to state exploration company Soekor, which is part of the Central Energy Fund group.

However, some government officials are keen to set up a company under that name which would house the assets of Sasol, Engen, Mossgas and Soekor. The idea has found favour with the Chemical Workers' Industrial Union, which has accused government of lacking a coherent policy on the state's role in the sector. But the plan is at loggerheads with calls from the crude oil companies in SA for government to wind down its major role in the industry.

Hopes soar as more gas found off Namibia

BY JAMES LAMONT

Johannesburg — Reserves of natural gas at the Kudu field off the coast of Namibia could be six times greater than first thought, a senior Central Energy Fund source said yesterday.

"At first (in the 1980s) it was estimated there were 1,5 to 2,5 trillion cubic feet (tcf), but now we have heard it could be as much as 14 tcf — which is a lot of gas," said the source.

Shell and Engen, the holders of the Kudu offshore petroleum exploration licence, "re-evaluated seismic data and have found a larger deposit further down," he said.

The figure of 14tcf far exceeds recent projections of the size of the Kudu gas discovery, which lies 4 000m below sea level. In 1991, the National Petroleum Corporation of Namibia estimated reserves at between 4tcf and 5tcf. Last year Shell Exploration said the field contained a minimum of 3tcf.

Ger Kegge, the managing director of Shell Exploration and Production Namibia, which operates the exploration licence, declined to confirm the latest claim.

He said Shell preferred not to speculate until the oil company had completed drilling well 4 in July. Shell had identified significant volumes of gas, but at present it constituted "trillions of cubic feet rather than tens of trillions".

However, Kegge hinted that "larger volumes are a little more than a gleam in the eye". He also suggested that the company could sink a second well to have "the gas in the bank".

An announcement of drilling contracts by Shell Exploration and Production Namibia in February

CT(BR) 13/3/96 (183)
said that "the technical and economic evaluation based on a 300km², three-dimensional seismic survey and extensive gas market investigations have given encouragement that the Kudu gas discovery is sizeable and that the development of the gas could be economically viable".

About \$10 million has been spent on technical evaluation and gas market investigations. The total expenditure over the first four years of the licence period, which started in May 1993, may exceed \$30 million.

Though a formal agreement has not been signed with Eskom, Shell hopes to sell Kudu's gas to the electricity utility. Shell calculations have shown that a gas-fired power station in Saldanha could produce electricity for the Cape area more cheaply than Eskom's Highveld stations.

Should Eskom sign with Shell, the oil company could pipe the gas to Saldanha Bay to fuel a new Eskom power station just after the turn of the century, transforming the Western Cape into one of South Africa's major industrial growth areas.

"The gas volumes that we have been talking about regarding supply of power to Saldanha are a total of 3tcf over 30 years," Kegge said.

Shell might also find a market in steel and mineral beneficiation in South Africa, as well as local power consumption and new industry in Namibia.

"We will have to look to South Africa for the bulk of base-case demand with the belief that it would come from electricity generation," Kegge said.

□ See Page 18

Equalisation fund will offset levy on petrol

Edward West

BD 14/3/96 (183)
THE fuel levy on leaded petrol and distillate fuel is to rise 3c/l from April 3, but pump prices would not be affected because the increase would be offset by savings by the equalisation fund from lower synfuel levies, the mineral and energy affairs department said yesterday.

Department spokesman Hen Baak warned however that price increases were likely on April 3 due to the rand's depreciation against the dollar and a slight hike in international oil prices.

Transnet economist Mike Schussler said the current under-recovery on fuel prices was about 5c/l, indicating a possible price increase by the same amount on April 3.

SA Petroleum Industry Association director Colin McClelland said government should have taken away all this year's R1bn subsidies for Sasol and Mossgas, which he estimated at R600m for Sasol and R400m for Mossgas, instead of increasing the burden on relatively poor pensioners in the form of the 17% tax on interest and net rentals on retirement funds.

Finance Minister Chris Liebenberg said yesterday the increased fuel levies of 4,8% and 5,4% respectively would yield an additional R450m in the 1996/97 financial year.

The fuel levy on leaded petrol was fixed at 62,9c/l and fuel at 55,4c/l on distillate fuel on May 3 last year. The levy on unleaded petrol was set at 56,2c/l on February 1 this year.

Liebenberg said the Equalisation Fund levy would be reduced in stage throughout the 1996/97 financial year.

This would be accompanied by compensating increases in the fuel levy on both leaded and unleaded petrol and on distillate fuel and therefore the pump price would not be affected. Liebenberg said this measure was expected to yield R610m in the forthcoming financial year, giving a total R1,06bn contribution by the fuel levy to the fiscus.

Schussler said the R1bn additional revenue to government raised from the levy would be derived from the R450m arising from the 3c/l fuel levy increase announced yesterday, R750m savings derived from the cut in synfuel levies, less an estimated R170m arising from a potential 6,2c/l price decrease if unleaded fuel reached a targeted market penetration of 20% over the year.

(783)

FULL PELT

FM 15/3/96

Work on the R500m Sentrachem/Bayer joint venture at Newcastle is expected to start in July with the plant coming on stream in early 1998

The use of local inputs will see the lowest-cost production of chrome chemicals in the world, making the venture "the chemical equivalent of Columbus Stainless," says Sentrachem CE John Job

Chrome chemicals (salts) are used in the leather tanning process

Job adds that the available infrastructure at the old Karbochem synthetic rubber plant in Newcastle — which nearly killed off Sentrachem in the mid-Eighties because of a R120m write-off — will result in a 15% capex saving on the new venture

Discussions between Sentrachem and Bayer

started about three years ago. The logistics for exports through the Durban harbour also helped swing the deal — against competition from Australia and South America

Announced last month, the project will save on operating costs. Using SA's relatively cheap power and adding value to freely available chrome ore and soda ash from Botswana through the use of the latest Bayer technologies, competitively priced chrome chemicals will be produced for export to Bayer's existing markets in South America, southeast Asia and the Americas

The first product should be exported by 1998 and forex revenues should be substantial, says Job. And, apart from the exports, new market developments, such as the use of chrome oxides in magnetic tapes, are also in the offing

Bayer SA CE Terry Bowman says the decision to locate the plant in SA was linked to structural changes in the international leather tanning market

He says that in the past 10-15 years the industry moved from Europe to South America, Australia, SA and southeast Asia and, with it, the demand for chrome tanning salts

"SA is geographically well situated to meet the demands of these new markets. It no longer makes logistical sense to ex-

port chemical grade chromite from here to Europe for the manufacture of sodium dichromate and to ship the beneficiated products back to the new markets. Soda ash is freely available in Botswana and Bayer owns SA's biggest single chemical grade chromite mine — at Rustenburg. Beneficiation in SA makes absolute sense," says Bowman

About 90% of the 80 000 t/year production — 70 000 t/year sodium dichromite

and 10 000 t/year of chromic acid — will be exported. Bayer AG of Germany last year had a global turnover of about R116bn (DM44bn), with pre-tax profit of R10,5bn (DM4bn)

Turnover of the SA subsidiary was about R1,5bn — but this could get a substantial boost once the new plant gets under way. Bayer's major operations are in industrial chemicals, agricultural chemicals, health care and photographic products

Apart from the Newcastle plant, Bayer also intends to increase the output from its Durban-based chrome tanning salts plant, says Bowman ■



John Job

staff members who accepted severance packages emanate from the Cosatu-aligned Chemical Workers' Industrial Union. But the union says the issue is not privatisation. What it is claiming with regard to massive retrenchment payouts has a ring of truth.

A spokesman says an agreement reached with Day two weeks ago allowed Mossgas to pay retrenchment packages only to "redundant" workers. He adds it is now clear that Mossgas has broken the agreement by paying severance packages including about eight months' salary to a number of top executives. "Having done this, it has no moral ground to refuse the same package to any worker who wishes to resign."

The retrenchment strategy has affected Mossgas's projected net revenue for the year. While the plant lost three weeks' production which reduced projected revenue from R733m to R687m (R46m), profits are also expected to be a lot lower. Also "due to special provisions made by the board for voluntary retrenchments and other write-offs," the projected net profit for the current year is expected to fall by about R70m. So the union claims are not far off the mark.

Day says that while five top executives have jumped ship over the past few weeks, there is no truth in suggestions that the synfuel company's operational efficiency is under threat. He says four of the executives have already been replaced through internal promotions, while the financial executive has accepted an offer to stay for six months while a replacement is sought.

"My task is to ensure operational efficiency and ongoing profitability, while speedily implementing the recent Cabinet go-ahead for the development of the so-called satellite gas fields. We are now also implementing the Cabinet decision to investigate the installation of compression to existing gas fields," he adds.

The combination of satellite field and compression development will extend the profitable "life" of the Mossgas plant to 2001. Day expects a final submission on the feasibility of adding compression by the end of the month with, hopefully, a positive Cabinet response by mid-April.

While this will help ensure the ongoing operation of the plant, the fiscus will forfeit the Mossgas net revenue, and motorists will continue subsidising the plant. The synlevy, says Day, "should fall away in the next few months." That remains to be seen. ■

MOSSGAS

RIGGING THE ODDS

(183)
PM 15/3/96
No sooner had Mossgas been given a two-year stay of execution by government than the synfuel plant came under what new CE David Day says is part of a Cosatu campaign to discredit government's privatisation policy.

Day says suggestions that Mossgas's cash balances are being dangerously depleted by generous payouts to about 200

Devastating wave of strikes looms

By JAMES LAMONT

Johannesburg — A breakdown of negotiations between employers and unions in South Africa's R25 billion-a-year chemical industry over a central bargaining system could lead to a wave of "devastating" industrial action this week, industry sources said on Friday.

Chemical unions have threatened employers with industrial action in a dispute over the veto powers accorded a proposed central bargaining council and the number of sector-level forums, said Fanie Ernst, Sasol's group labour relations and remuneration manager.

Ernst warned that strikes and demonstrations — which had already taken place at some plants last week — could have a devastating effect on a "lifeline" industry that employs 180 000 workers and contributes 22.5 percent to South Africa's manufacturing GDP.

"We don't want it to become a slanging match," he said in an appeal for the parties to return to the negotiating table. "The stakes are very high and it could be national disaster."

The Chemical Workers' Industrial Union (CWIU) met at a congress in Johannesburg at the weekend to discuss "a way forward" after unions called a dispute on February 26.

Nelson Mthombeni, the assistant general secretary of union, said industrial action would be considered in the debate but could be avoided "if our members can find a way of accommodating the employers' proposals".

Although Mthombeni did not rule out the possibility of industrial



STICKING POINT Nelson Mthombeni and Fanie Ernst wrangle over a central bargaining system

PHOTOS: JOHN WOODROOF

action, he said the situation did not yet warrant the services of a "facilitator" to bring the parties back to the table, as employers have suggested.

The 46 000-member union has been at the forefront of union demands for a central bargaining process in the industry. But negotiations, which began in the second half of last year, have run into difficulties over the structure of a national bargaining council and its constituent sectors.

Employers across a diverse industry, from explosives manufac-

turers to petroleum companies, proposed a national bargaining forum and 13 sectoral bargaining councils. Ernst said the breakdown of the industry into 13 sectors accurately represented the different economic activities and small and medium-sized companies.

The unions put forward a draft constitution for a unitary bargaining council with overarching powers over only four sectors, which Mthombeni said conformed with international industry standards.

But employers believe they have offered a compromise in response to

a union proposal that they agree first to the establishment of a bargaining council and then negotiate the demarcation of sectors and powers. The employer caucus said it would consider the establishment of a single bargaining council if unions agreed to the inclusion of 13 sectors as chambers within such a council and on the powers of the sectors.

"There is a shift to central bargaining, but let's address the economic realities," said Ernst. He said this was a considerable departure from employers' preference for decentralised bargaining arrangements which suited strategic business interests and ensured competitiveness.

Many fear that centralised bargaining will squeeze out small concerns, which are expected to create the bulk of new jobs over the next decade, and reduce competitiveness. "I have faxes here from small employers that if they have to sit in a national bargaining council alongside the likes of Hoechst and Sentrachem, they are going to close their doors," said Grahame Matthewson, the human resources manager at Dulux.

"We've tried to approach it from an economic perspective, but they (the unions) have come from a constitutional approach," he said.

Mthombeni denied the employers had shifted ground. He said employers were "dragging their heels over the whole process" and had presented a conditional proposal and not a compromise.

Moreover, he said the number of sectors within the council was a side issue. "We don't believe the number of sectors is the key issue, it is rather the power of the bargaining council," he said. "We are not against a sectoral approach."

Mthombeni also said unions were prepared to discuss sectors which would take into account the concerns of small business.

Neither party, however, believed that the situation was deadlocked. "We think this could be resolved, but if the parties persevere like this it will be very difficult to come to an agreement," said Ernst. Mthombeni said his union would like a meeting with employers before the end of the month.

CT (BR) 18/3/96 (183)

Page 2

John Woodroof

ICI purchases 'the edge in the electronic detonator market'

(183) BD 19/3/96
Amanda Vermeulen

INTERNATIONAL explosives group ICI Explosives has bought 100% of Expert Explosives from AECI-owned AEL and the private company Detonix, for an undisclosed price

Expert Explosives MD Vivian Patz said yesterday AECI, which bought a stake in the company in 1987 for less than R1m, had invested R30m in the research and development costs of the electronic detonator it manufactured

Although the company sells only about 100 000 units a year currently, this number should reach about 40-million a year, at a unit price of \$2, giving it potential turnover of \$80m

The ICI investment would see global marketing of the product, which is used in the mining and construction industries, while a production plant would be housed on the Modderfontein site. ICI explosives would initially

ahead of its local competitors, the Altron group and a joint venture between Sasol and Plessey

Altron warned last month that poor sales for the detonator manufactured by subsidiary Allied Technologies would cost Altech almost all its earnings for the year to December as well as a R56m write-off to reserves

But Patz said the market for the product was large, and although ICI was likely to go head to head with its competitors, there was room for all players.

The detonator had been used in Australia and in Canada, and would shortly be deployed in South America

Patz, who would remain at the helm of the company, said the ICI deal would bring research and resources into the company, allowing it to leverage technology to its advantage and capitalise on opportunities in markets around the world

Industrial action looms in chemical industry

(183) BD 19/3/96

Renee Grawitzky

CHEMICAL companies face industrial action next month as unions representing about 90 000 chemical workers meet today to finalise plans to put pressure on employers to agree that a national bargaining council should have overriding power over proposed sectoral chambers

Employer caucus co-ordinator Fanie Ernst warned yesterday that such a move would have major consequences because of the importance of the chemical industry.

Labour convenor Musi Buthelezi said if all unions participated in industrial action it could shut down the industry

The decision to embark on industrial action comes in the wake of a deadlock between the six unions party to negotiations with employers on the setting up of a bargaining council in the industry. The Chemical Workers' Industrial Union (CWIU)

congress at the weekend resolved that the only way to break the impasse was through industrial action

Ernst said: "We are not at war, we would just like to resolve this issue and are still open to discussions"

The parties agreed to establish a national bargaining council with a number of sectoral chambers

At the heart of the dispute is the inability of the parties to reach agreement on the powers of the national council and the sectoral chambers. Another issue was the number of sectoral chambers — the union demanding four and employers 13

The unions were demanding that the bargaining council have overriding powers over the chambers while employers were demanding that more power should lie with the chambers.

Ernst said the parties were not far apart, therefore third-party intervention should be considered

Buthelezi said since 1991 the CWIU had to use industrial action to find agreement on centralised bargaining. The second battle would come in setting up appropriate structures.

Ernst said the employers had gone beyond the agreement signed between the parties in August last year and had agreed to the setting up of a bargaining council where the agreement stipulated the setting up of a bargaining forum.

Buthelezi said after the other five unions joined in the initiative, the unions could demand a bargaining council as the level of representivity had increased. He said the union's demand was less than what the new Labour Relations Act stipulated, and if employers continued to delay the process it "could play against them"

The unions declared a dispute on February 27 and despite further attempts on March 11, were unable to reach agreement.

COMPANIES

New equipment to cut costs at Sasol Chemical Industries

(183) BD 20/3/96
Mungo Soggot

SASOL Chemical Industries (SCI) is pumping R350m into new equipment at its petrochemical operations in Sasolburg.

The company said yesterday it had signed a technology and supply accord with Britain's Air Products, a subsidiary of the US group Air Products and Chemicals, for an air separation plant and pipeline system to provide it with oxygen and nitrogen.

SCI MD Elmore Marshall said Sasol would now get its nitrogen and oxygen feedstocks from two new pipelines running between Air Products' Vanderbijlpark plant and Sasolburg, and from a new air separation plant at the Sasolburg site.

The pipelines were due to be commissioned in January next year and the air separation plant, which would replace the existing oxygen plant at Sasolburg, would be commissioned in 1998.

Marshall said the new equipment would eventually cut the cost of producing synthesis gas by 10%.

"These old trains, some of them dating back to our original commissioning work in 1954, are uncompetitive and maintenance intensive," he said.

"By investing in new air separation technology, we shall be well placed to strengthen our cost competitiveness further because the technology is more productive, energy efficient and far less maintenance-intensive."

Sasol's chemicals division lifted operating profit 31% to R498m in the six months to December, after reaping the benefits of increased volumes and prices. The division's contribution to group profit rose to 31% from a previous 28%.

The group reported earnings up 27% at R1,2bn on turnover 14% higher at R6,8bn, after a particularly strong showing from the synthetic fuel division.

Sasol said SCI needed about 3 000 tons of oxygen a day for its Sasolburg operations. The new air separation plant would generate about 2 100 tons of oxygen, 1 400 tons of nitrogen and 50 tons of liquid argon a day. The rest would be piped directly from Air Products' Vanderbijlpark plant.

COMPANIES

Fuel fund profit bolsters govt's coffers

Mungo Soggot

(183) BD 20/3/96
THE Strategic Fuel Fund said yesterday that nearly R300m of the R1,9bn it had contributed to the Budget had come from oil trading profits.

The fund, which is part of the Central Energy Fund, manages and trades SA's strategic oil stock. It has been reducing the stock and giving the proceeds to the fiscus.

Local oil companies now source the bulk of their crude oil themselves, but in the sanctions era they bought from the Strategic Fuel Fund.

Fund GM Kobus van Zyl said the fund's substantial profit refuted talk that government should not be involved in oil trading.

The International Energy Agency said in its draft report on SA that the need for most of the Central Energy Fund's operations, particularly oil trading, was questionable.

But Van Zyl said the profit showed "the commercial value that can be derived from government's substantial oil stock being stored in the most advanced facilities in the world and managed by highly trained staff".

Sacwu to canvass members before following CWIU's industrial action

By JAMES LAMONT

Johannesburg — The South African Chemical Workers' Union (Sacwu) will not follow the programme of industrial action put forward yesterday by the Chemical Workers' Industrial Union (CWIU) until it has canvassed the opinion of its members next month.

A Sacwu congress will meet in

three weeks to decide if the 40 000-strong union will follow the CWIU in a dispute with employers over a central bargaining system, Mashandi Mavhivha, Sacwu's Vaal organiser, said yesterday.

The CWIU presented its programme of strike action, overtime bans and demonstrations to fellow chemical unions yesterday. The programme begins next week. The

Johannesburg — The South African Municipal Workers' Union is staging nationwide marches today in solidarity with 900 workers dismissed during a wage strike last year. The 110 000-member union is also voicing its opposition to privatisation.

Workers will march in all major provincial centres. They will march at Parliament and have requested a meeting with Tito Mbovo, the minister of labour. A total stayaway has been called in Mpumalanga.

Industrial action comes after negotiations with the chemical industry employers broke down over veto

power accorded the proposed national bargaining council. The union forum agreed to

apply for a conciliation board to resolve the dispute.

Nelson Mthombeni, the CWIU assistant general secretary, said Sacwu was not ready to consider industrial action but that other unions in the chemical industry had indicated willingness to support CWIU's industrial action.

"The decision to take industrial action was made because employ-

ers could not accommodate union demands over a bargaining system," Mthombeni said.

CWIU wants a minimum wage of R1 800 a month, a 20 percent wage increase and a 40-hour working week by this year.

Sacwu's Mavhivha expressed disappointment that CWIU had independently gone ahead with its programme of action.

Soekor signs offshore oil-field deal

(183) ET(BR) 21/3/96
BY FRANÇOISE BOTHA

Cape Town — Soekor, the state-owned oil exploration company, signed a R1,3 billion deal yesterday to develop South Africa's first offshore oil field ahead of government plans to privatise it.

The signatories to the agreement are Soekor E and P, which owns 80 percent of the oil field; Energy Africa, the company holding the international exploration and production interests of Engen, which owns the other 20 percent, Schlumberger, the international contractor; and Fred Olsen Production of Norway.

Joggie Heuser, the chief executive of Soekor, said yesterday that this was the first time an oil project of this magnitude was viable off the South African coast. Soekor is developing the field to reduce its reliance on taxpayers' money.

The development is likely to stimulate international oil companies to come to South Africa in search of oil and investment opportunities in the upstream side of the country's oil business.

It will take place at the E-BT oil field in the Bredasdorp basin, 140km southwest of Mossel Bay. Over the next three to six years, 19 million barrels will be extracted from the field, which has proven reserves of at least 33 million barrels.

Soekor, which has discovered 10 fields in the Bredasdorp basin over the past few years, plans to bring adjacent fields into production to extend the life of the project.

Heuser said that the first of these would be the E-AR field, as others were added, production could be extended to 12 years.

"This will save the country more than R1 billion in foreign exchange over the next three to six years, as other fields are brought in, this figure could climb to over R2 billion," he said.

Production is scheduled to



PROSPECTS Joggie Heuser, the Soekor chief executive, shows the model of a new oil rig similar to the one that will be used in the company's Bredasdorp Basin E-BT development. PHOTO: BERNARD PEREZ

start next February with an initial run of 20 000 barrels.

A semi-submersible rig will be towed into Cape Town later this year in preparation for production — a move that will result in R60 million being pumped into the local economy.

In addition, a further R100 000 a day will be invested locally through the project and about 150 direct and indirect jobs will be created.

Syndicated loans will raise R293 million to finance the development.

According to Heuser, the initial cost will be recouped within

the first year of production.

The Central Energy Fund is negotiating with 25 to 30 international bankers and a decision is expected by May.

The commercial development of the oil field strengthens Soekor's position ahead of government privatisation plans and follows a 9,9 percent reduction in this year's mineral and energy affairs budget.

The oil, which is of a similar quality to North Sea Brent, will be marketed in South Africa from Durban and Cape Town, but so far no agreements have been established with local companies.

Offshore oilfield yield set for next year

Samantha Sharpe

CAPE TOWN — SA's only offshore oilfield, E-BT, would produce its first commercial oil early next year, at an estimated profit of \$130m during the life of the project, state-owned oil and gas exploration company Soekor said earlier this week.

Soekor has an 80% stake in the 32-million barrel oilfield situated 140km southwest of Mossel Bay, with Engen's newly-listed subsidiary, Energy Africa, being the other shareholder.

Soekor CE Joggie Heuser said Soekor had signed contracts earlier in the week with independent international contractor Schlumberger and Norwegian First Olsen Tankers to kickstart the field's commercial development.

(183) BD 22/3/96
This meant production was on track to start next February, with E-BT expected to produce 20 000 barrels of oil a day at first — about 6% of SA's daily requirement.

While production would decline over a period of between three and six years, the oilfield had the potential to serve as the nucleus for the development of several adjacent oil discoveries, extending production life by another six years, Heuser said.

The discovery of any additional gas fields during E-BT's commercial development could be passed on to state-owned oil-from-gas producer Mossgas, although the two companies were completely independent of each other.

Heuser said healthy profit forecasts meant Soekor would recover the full capital costs of the project

in E-BT's first year of operation, but SA would also benefit from R1bn in foreign exchange savings during the oilfield's lifetime.

Soekor's 80% share of project capital costs, about \$60m, would be raised by way of syndicated foreign loans, Heuser said. "No SA taxpayers' funds are involved in the financing of the E-BT oilfield."

Soekor finance manager John Burton said Soekor's holding company CEF was currently involved in talks with several international banks, with the syndicated loan arrangements expected to be finalised by May.

Work on an offshore semi-submersible drilling rig customised to serve as the floating production vessel would be done in Cape Town, and inject an estimated R60m into the Cape economy.

Crisis looms as oil workers strike

(183) Star 23/3/96

STAFF REPORTERS

Durban - South Africa could be plunged into an economic crisis if 800 Sapref oil refinery workers, who downed tools yesterday, continue with their strike.

They have effectively cut off crucial fuel supplies to large bulk buyers, such as South African Airways, and thousands of motorists

The Durban-based refinery shut down yesterday when negotiations between the Chemical Workers' Industrial Union and Sapref officials reached a deadlock

Workers went on strike when management failed to meet their demands for better salaries and for housing and medical aid benefits

Sapref managing director Peter Franssen confirmed that the refinery process units had been shut down and that only

essential utilities were operating to ensure there was no damage to the environment Sapref, whose largest buyers are BP and Shell, produces an estimated 25% of the country's total petroleum products, including fuel for SAA's Boeings and other aircraft

Colin McClelland, spokesman for the SA Petroleum Industries Association, said that if the strike continued, South Africa would be losing out on about 160 000 barrels of oil daily

Sipho Ntshaba, a spokesman for the union, said the strike could cause major disruptions in flight activities at Durban airport as Sapref was its sole supplier of aviation fuel, which it pumped directly through an underground tunnel to its tanks

"No fuel means no flights, and other refineries could never meet the demands of the entire province in the long run, espe-

cially since Sapref supplies KwaZulu Natal with the bulk of its petroleum products With more than 800 workers on strike, it's best they meet with our demands as soon as possible because to give the workers what they want will cost the company only R1,4-million, but to keep on at this rate will cost them at least R3-million a day"

However, Peter Dent, managing director of the Engen plant in Durban, said his company would do its utmost to supply products in case of shortages "There's no way we can allow the Durban economy to come to a halt just because there is a strike, and we certainly won't let the airport run dry if we can help it," he said

SAA spokesman Zelda Schwalback said the airline would make contingency plans if it were forced to, such as filling up temporarily at other outlets

...age have prompted the police to...
...on their files on earlier...
...against the...
...along to that...
**Strike threat
to crucial fuel
supplies**

ARG 23/3/96

(183)

Own Correspondent

DURBAN - South Africa could be plunged into an economic crisis if 800 Sapref oil refinery workers, who downed tools, continue with their strike, effectively cutting off crucial fuel supplies to large bulk buyers like South African Airways and, of course, to motorists

The Durban-based refinery shut down yesterday when negotiations between the Chemical Workers' Union and Sapref officials reached a deadlock. Workers went on strike when management failed to meet their demands for better salaries and housing and medical aid benefits.

Sapref managing director Peter Fransen confirmed that the refinery process units had been shut down and only essential utilities were operating to ensure there was no damage to the environment

Sapref, whose largest buyers are BP and Shell, produce an estimated 25 percent of the country's petroleum products

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"No fuel, means no flights and other refineries could never meet the demands of the entire province in the long run, especially since Sapref supplies KwaZulu-Natal with the bulk of its petroleum products

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"There's no way we can allow the Durban economy to come to a halt just because there is a strike and we certainly won't let the airport run dry if we can help it," he said.

SAA spokesperson Zelda Schwalback yesterday said the airline would make contingency plans

"We will try not to inconvenience our customers as far as we can," she said

By late last night, the Sapref plant was still blocked off by workers who also refused to allow any scab labourers to enter the premises

Said Mr Fransen: "We are very disappointed that the union chose to take such severe action when our differences on the housing scheme were relatively small and no specific concerns were apparent on other issues"

New oil field lights a fire for Soekor

(183)
ST(BT) 24/3/96

INTERNATIONAL oil companies are targeting South Africa's southern and eastern coastlines for exploration after Soekor announced this week that the country's first oil field would be in production next year.

A major exploration programme has already been signed by Soekor and Phillips Petroleum, one of the biggest among the oil majors, and other international oil companies are now keen to join in

Soekor's deal with Phillips is a technical co-operation agreement which allows Phillips to re-process and evaluate all borehole data on blocks 17 and 18 on the east coast — practically the whole of the KwaZulu coastline — and then apply for oil and gas exploration licences.

"It has taken some time for the international oil companies to become interested. Now that we are putting our first oil field into production, they want to talk," said Joggie Heuser, Soekor's chairman.

Despite many false dawns, Soekor has plans to

By JEREMY WOODS

bring its first offshore oil field, the E-BT field, into production next year with an initial production of 20 000 barrels per day.

E-BT has proven reserves of 32-million barrels, and this could rise to 40-million if smaller, adjacent oil finds are included. Although a small find by international standards, the oil field has a projected revenue of over R700-million

Soekor's 80% of the capital cost, some R300-million, is being financed by overseas syndicated loans, so that no taxpayers' funds are involved

The capital cost of the project is expected to be paid back in full within the first year of operation. Revenue generated by this oil field will be used to fund the exploration of other potential fields.

But the real story behind South Africa's offshore oil production is a technological one which bears many resemblances to the marine diamond industry now in full swing along the

West Coast.

As with marine diamonds, there has been evidence of oil deposits off South Africa's southern coast for 10 years but these were believed to be too small to develop.

Three main factors lie behind the development of South Africa's first oil field, says Mr Heuser.

Firstly, there has been a marked improvement in the interpretation of seismic information.

Secondly, the use of specialised technology, which allows water to be pumped into one end of the reservoir forcing oil up into a pipeline for extraction.

And thirdly, the use of an offshore semi-submersible drilling rig that will be converted into a floating production vessel, allowing it the mobility to be used on other oil fields.

"While we would be surprised to find any big individual oil fields, we firmly believe that the continuing development of smaller fields could make a worthwhile contribution to South Africa's oil needs in the years ahead," said Mr Heuser.

Pressure on Chemserve

Mungo Saggot (183)
20 25/3/96

THE downturn in the economy, stiffer foreign competition and higher employment costs would hit Chemserve's earnings in financial 1996, chairman Mike Sander said in the company's annual report.

The specialty chemical company, which is part of Anglo American's AECI chemical group, was nevertheless banking on a 77c a share earnings increase and expected a higher dividend in real terms than last year. Chemserve reported earnings a share up 33% at 673c in the year to December.

"Regarding prospects for 1996, we remain disturbed by the general level of economic activity, which in recent months has shown evidence of weakness quite contrary to the promising conditions experienced during most of 1995," Sander said.

He said management had tried to groom Chemserve to cope with these changes in the business environment, and was confident the group had the flexibility to adapt.

Sander said the 6% increase in aggregate sales volumes last year had been "satisfactory .. but a disturbing decline in the rate of volume growth became evident during the fourth quarter of 1995 — a clear indication that the economy, while stronger, is not yet set on a path of robust and sustainable growth."

Plan for new plant at Hoechst factory

Mungo Soggot

CHEMICAL group Hoechst SA said yesterday it would spend R205m on a new polymer plant at its fibre factory in Durban.

Wolfgang Raffalsky, MD of the group's plastics operations, said the plant's financing had yet to be finalised, but would come from cash flow and "other finance generating capabilities".

Group MD Steffen Beuthner said the plant would supply polymers to Hoechst SA's textile fibre plant in Durban — which it bought from Frame in 1993 — and in Cape Town. The new plant's commissioning next year would increase the group's polyester output to 60 000 tons a year.

"With our own polymer production we will be totally self sufficient and better placed to remain competitive in a market which is growing 5% a year in SA and 4% to 5% globally," he said.

He said the project included equipment for making soft drink

BD 26/3/96 (183)
bottle polymer. Raffalsky said Hoechst SA wanted to enter this fast growing SA market by the end of next year with an output of 12 000 to 15 000 tons, competing with AECI's SA Nylon Spinners, which produced about 20 000 tons of bottle resin a year.

Hoechst AG is one of the world's biggest soft drink bottlers and said recently it wanted to triple capacity by 1999.

Beuthner said the R205m project brought Hoechst SA's total capex bill to R700m for the past four years. The group, which listed on the JSE last July, lifted share earnings by 37% to 41,3c for the year to December and declared a maiden dividend of 7c. Turnover grew 15,1% to R1,75bn and operating profit increased 43,8% to R88,3m. The counter closed unchanged at 585c on the JSE yesterday. It touched a high of 632c on March 15 and a low of 500c in November, when all chemical and plastics companies took a knock from a drop in world prices.

Hoechst SA in R205-m venture

(183) ARG 26/3/96

JOHANNESBURG — Hoechst South Africa has announced its largest investment in South Africa to date — a R205 million polymer plant at its fibre manufacturing facility in Durban

A statement said the new plant would supply polymer to the company's fibre manufacturing facilities in Durban and Cape Town

The project — to be commissioned late next year — would increase Hoechst's total polyester fibre output to 60 000 tons a year

"With our own polymer production we will be totally self sufficient and better placed to remain competitive in a market which is growing annually between 4,0 and 5,0 percent and by 5,0 percent lo-

cally," managing director Steffen Beuthner said

The project would also include the installation of plant and equipment for the manufacture of PET bottle resin, the statement said

It said Hoechst had announced plans to triple its global capacity of soft drink bottle polymer by 1999

Financing for the plant would be secured by the company's own cash flow and other finance generating capabilities

■ Packaging group Kohler Limited formerly Holdains Limited has reported strong earnings growth for the six months to February, with profit before abnormal items 25 percent higher

A statement said earnings improved 25 percent to R64,1 million compared to R51,3 million during the same period the previous year. Earnings per share, before abnormal items were 22 percent higher at 21,2c (17,4c)

Kohler has declared an interim dividend of 6,4c, up slightly from a previous 5,7c

The group said it was benefiting from its greater focus on packaging following the disposal of non-core businesses such as paper merchant, Graphtec, and Kohler Sacks

While turnover decreased by 17 percent to R1,189 billion (R1,432 billion), operating profit improved by 8,0 percent to R100,3 million from R92,7 million — Sapa

Sacwu to march on Polifin headquarters

(183) (S) CT(BR) 26/3/96

BY JAMES LAMONT

Johannesburg — Members of the South African Chemical Workers' Union would march on plastics and chemical producer Polifin's headquarters in Randburg today, Manene Samela, the union's national organiser, said yesterday.

Samela said about 500 workers from the company's Midland factory in Sasolburg would demonstrate over the issue of shift allowances as part of a month-long campaign at six Polifin operating divisions.

He said though management had made an offer of increased shift allowances, the union wanted the increase to 10 percent of basic salary introduced from next January but commuted into wage increases across the board from April 1 this year.

"We want these funds (from shift allowances) to be distributed evenly among salaries," he said.

Polifin management has stuck to its offer of an 11 percent wage rise, but has offered an increase in shift

allowances from April 1.

"We were out of line with the market on shift allowances," said Daniel Steenkamp, Polifin's labour relations manager.

Earlier this month, 1 500 workers went on strike at six operating divisions for wage rises and improvements in working conditions. Workers were demanding a 13 percent wage increase and settlements over shift allowances, public holidays and overtime.

Samela acknowledged management had made concessions over increased shift allowances, but said industrial action would continue at all plants except those in Somerset West where workers had agreed to a settlement.

He said the union was still pushing for companies to reflect good performance in higher wage offers.

Steenkamp said production had not been affected by strike action and said it had exceeded previous records at some subsidiaries as a result of the company's contingency plans.

Petrol up by 8c or 9c a litre tomorrow

The Argus Correspondent

(183) (277)
ARG 26/3/96

PRETORIA - Motorists will have to brace themselves for a hefty increase in their fuel bills next week, when petrol increases by 8c or 9c a litre - adding up to R4,50 to the cost of a tankful.

The increase, announced by a Department of Mineral and Energy Affairs spokesman, will include the extra 3c in tax announced in last week's Budget.

The increased price of petrol and diesel - which will go up by 6c or 7c a litre - will come into effect tomorrow.

A decision on whether the increases will be the higher or lower amounts will depend on whether the oil companies make a profit on fuel sales this month - if they do, petrol will rise by 8c and diesel by 6c.

Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, said the increase would drive up inflation. But neither he nor Motor Industries Federation senior vice-president Errol Richardson felt it would seriously affect the motor industry.

Talks may focus on wage model

BD 28/3/96 (183) (255)
Renée Grawitzky

THE formulation of an approach to a wage model, which would take into account the diverse nature of the metal industry, could form the focus of negotiations to amend the industrial council main agreement in the industry.

Wage negotiations covering an estimated 280 000 workers, 9 000 employers and nine trade unions starts on April 17.

The demand for a wage model linking wages, grading and skills — which would ensure the reduction of the apartheid wage gap — had formed part of the National Union of Metalworkers of SA (Numsa) core demands for the past three years.

Since last year, representatives of the various parties had been meeting to give effect to last year's agreement, which was to establish a task group to develop a wage model to "take the artisan rate as its benchmark and accommodate the industry's diversity".

This group has made some progress towards finding common ground on a wage model, with Dave Douglas from the Independent Mediation Services of SA acting as facilitator.

The work of the task group was also to integrate its work with the other existing task groups investigating grading, productivity and training. In terms of last year's agreement the parties are to complete their work by April 30.

Unions such as the Yster en Staal and National Employees' Trade Union tabled demands for a 15% wage increase. The Chemical Workers' Industrial Union was demanding a 20% rise on actuals

and a minimum wage of R1 800. The Nactu-aligned Metal and Electrical Workers' Union of SA and the Steel, Engineering and Allied Workers' Union were demanding increases ranging between 20% and 30%.

Numsa has demanded a 20% increase on actuals for the bottom grades. In addition, the differential between the grades should be 10% and the lowest paid worker in the industry must earn 60% of the artisan's actual average pay rate. This is to maintain the principle of closing the wage gap.

Numsa's core demand or "strategic focus" includes a package deal incorporating training, closing the wage gap and a productivity framework clause and employment security.

Other demands by the unions include increases to shift allowances, overtime rates, subsistence allowances, severance pay and leave conditions. Demands have been tabled for a 40-hour week, the introduction of an agency shop and that retrenchments be subject to negotiation, not consultation as is presently legislated.

In a document presented to the labour market chamber of the National Economic, Development and Labour Council on trends in collective bargaining agreements, Avril Joffe and Chris Lloyd argued that the signing of the three-year vehicle assembly industry agreement last year had led to "a desire to emulate parts of this agreement in other negotiations".

They argued, however, that differences between and within the same industries often resulted in different collective bargaining outcomes.

Mossgas to spend R30m on lay-offs

(183) JPI/2502
Mungo Soggot
28/3/96

MOSSGAS will spend R30m on 220 voluntary retrenchments agreed to before its expected privatisation — equivalent to 60% of its forecast operating surplus for the 1995 financial year.

CEO Dave Day said yesterday although it was a heavy blow to the parastatal, shedding the jobs was an excellent long-term investment.

The retrenchments, affecting one sixth of Mossgas's workforce, have been slammed by the Chemical Workers' Industrial Union which has accused management members of securing golden handshakes for themselves ahead of the possible sale this year.

The departures, which included a string of senior managers, followed the resignations of MD John Theo and Central Energy Fund Roy Pithey.

Day said Mossgas would post an operating profit of about R50m for the year to March — excluding its synthetic fuel subsidy — compared with R114m previously.

However, he denied Mossgas would struggle to meet retrenchment costs.

Sasol, Total dispute close to settlement

(183)
Mungo Soggot

BO 28/3/96
SASOL and Total SA are close to settling their dispute over ownership of oil refinery Natref, reopening the door for Sasol's proposed merger with Engen

The companies, which last year said the matter would go to arbitration in London, said yesterday talks could avert the tribunal hearing set for May.

It is understood discussions have centred on Sasol offering Total an undertaking that any merger with Engen would not harm the French-owned company's position in the market.

Neither company would be drawn on the substance of the negotiations, but Total MD Dennis Poole said a few "thorny issues" remained.

The dispute last August halted Sasol's long-running talks with Engen, under which Sasol's stake in Natref — the only inland crude oil refinery in SA — would be merged with Engen's retail outlets.

The merger with Engen would give Sasol the foothold in the retail industry it wants. The R6,8bn company is barred from retailing in terms of an agreement with the oil companies which buy its synthetic product for inland distribution.

Engen said last year the merger was off until the Natref dispute was settled, and MD Rob Angel said yesterday there were "no plans" for fresh discussions.

Sasol had reshuffled its oil assets, including the Natref stake last year, in preparation for the merger. Total SA claimed this reshuffling had triggered its right over Sasol's stake in the refinery.

Industry sources said Total was concerned a tie-up between Sasol and Engen would give the merged operation a stranglehold over supply to Gauteng and neighbouring inland provinces. But a resolution of the dispute and a tie-up would be welcomed by those in government keen for a national oil company, of SA Oil and Petroleum Company.

The plan's backers in government, who appear to be growing in number, see Sasol and Engen as the core of such a company which could include the assets of state exploration companies Soekor and Mossgas.

The trade and industry department — which fathered the idea — and some in the finance department are understood to be interested. One senior government official said talks on such a company would probably warm up once Total and Sasol had settled their differences.

WTS

ON APRIL 1 the health department takes the most significant step in its restructuring programme when it introduces an essential drugs list for state primary health centres

By setting up the list, which streamlines an existing range of about 3 000 drugs to a package of about 400, government will ensure the cost of drugs in primary clinics will be greatly reduced and that outlying centres will be assured of a reliable supply. Of all the department's initiatives, the new list holds the most promise for improving health services

But it will have far-reaching effects and the pharmaceutical industry is concerned that the list policy might be extended to private sector health care.

National Association of Pharmaceutical Manufacturers executive director Barney Sachs says such a move would have "potentially disastrous consequences".

While the pharmaceutical industry accepts implementation of the list in state clinics, the potential for it to be applied in the private sector has sparked controversy and been the subject of many behind-the-scenes meetings.

While the health department has shelved its proposals to extend the list to the private sector, whether they are revived later will depend on the private sector's ability to contain spiralling medicine costs. Between the lines, the department is saying that unless the private sector takes steps to reduce medicine costs, it will have to intervene.

But pharmaceutical multinational Glaxo's CEO Andrew Whitley believes health department intervention will not be necessary as the drug manufacturing industry is already rapidly changing the trajectory of price increases. In the past year, six of the 10 multinationals have increased their prices by 6%, below the annual increase in the consumer price index, he says. Glaxo managed to get by with a 3% hike in medicine prices.

The high medicine bill is partly a function of price, says Whitley, but much is due to using wrong drugs and to over-utilisation. For this reason, his firm is developing a system to help doctors and pharmacists prescribe the appropriate medicines

Essential drugs list is significant step in health care revamp

KATHRYN STRACHAN

BD 28/3/96

"In three years, private sector health care will be completely different," he says. Plans to extend exports to about 25 countries will enable pharmaceutical manufacturers to lower prices.

Whitley says it makes sense to rationalise the range of drugs in the public sector, but warns that a private sector essential drugs list is illogical. At present, the private sector buys drugs at about six to 15 times the price offered to the public sector, and extending the list to the private sector would upset this balance. The private sector would no longer be subsidising the public sector and the low prices offered to the state would end.

"This would not be a sensible move to make at a time when government should be diverting wealth," says Whitley.

Representative Association of Medical Schemes (Rams) executive director Reg Magennis says an essential drugs list will work only in a system of private sector managed health care where contracts between the medical schemes and doctors are more specific than at present, and there is agreement on the medicines used and treatment guidelines. The private health sector is moving towards such managed care, he says, and the list could be a useful element in this system.

In the domain of the public sector, the list could have a big

effect on medical schemes. If patients found the list met their requirements, they could choose to drop their medical and and go to the clinics where medicines were dispensed free. However, if the list was too "basic", they would stick with the medical schemes.

Rams is taking the approach of waiting to see the response of patients to the new list.

Another effect of the essential

drugs list on medical schemes could be that if the public sector succeeds in dramatically cutting prices, pharmaceutical manufacturers could seek to increase prices to the private sector even further to recover losses.

And pharmaceutical manufacturers would be tempted to drop their public sector prices to rock-bottom to ensure their products were included on the list.

"The essential drugs list will need time to grow and evolve," says Sachs. "Changes to the list will have to be made along the way, and local pharmaceutical manufacturers, too, will have to learn to adjust to the changing health needs if they are to survive."

Trade and industry department chemical and applied industries director David Walwyn is encouraged by the new drug policy's aim of promoting local manufacturing. "There is a long way to go in terms of producing a viable SA pharmaceutical manufacturing industry," he says, but the new policy offers two factors which are keys to assisting the process.

Firstly, the list provides a focus for the local industry which allows it to concentrate on improving the quality of selected drugs. Secondly, a selective procurement policy is a stated objective of the new drugs policy. This 15% price preference for local manufacturers means they get the tender even if their

product is more expensive than an imported product.

Walwyn says the multinational manufacturers have complained that there is too much regulation in the new system. And he does not believe the health department will stop at implementing a drugs list in the public sector.

He says the local pharmaceutical industry does not generate a lot of profit or revenue in terms of taxes. Because the cost of raw materials is high, little value is added in the local manufacturing process, so the profits are low.

Dr Des Theron, medical officer for the Bo-Karoo district in Northern Cape, says rural doctors are enthusiastic about the new plan's promise to ensure medicines are delivered to outlying clinics.

When the nearest pharmacy or supplier is 400km away, reliable distribution is central to health delivery, he says, and a single essential drugs list package will be far easier to deliver than ordering thousands of different drugs from various points.

The list will also boost the primary health care nurse practitioner scheme, he says. In the new health system, nurse practitioners are being trained to a level where they can screen patients on their arrival at the health centre. They diagnose and treat the patients they can deal with, and refer the rest to the doctor—thereby reducing the heavy workload of rural doctors.

And with a streamlined list of about 400 drugs, rather than the previous 3 000, the nurse practitioner will have a better grasp of available drugs.

District councils will also save a lot as they will now get medicines directly through the province at the state price, as opposed to the previous tender system involving dealing directly with separate pharmaceutical manufacturers.

In general, doctors have welcomed the concept, but they are reserving judgment until they know how it will work in practice, the accompanying treatment guidelines, and exactly what drugs are on the list. Among items under scrutiny will be medicines used by traditional healers, which will be investigated for safety and quality with a view to incorporating them in the health system in the future.



There is concern that an essential drugs list will be applied to the private sector.

SAD achieves healthy earnings despite the odds

Jacqueline Zaina

SA DRUGGISTS lifted attributable earnings before exceptional items 22,7% to R54m in the six months to February, despite high business development costs and uncertainty about government health care policies which hampered trading conditions

Share earnings improved 11% to 80c, in line with the group's 15% growth forecasts for the full year to August, while the interim dividend was raised to 28c (26c)

Turnover increased 16% to R1,5bn and operating income was up 28,2% at R91m, reflecting the group's purchase of UK generics company Lagap and SA-based Garec Pharmaceuticals at the end of last year. This lifted the operating margin to 6,3% (5,7%)

CE Peter Beningfield said the group's core businesses had increased sales in real terms. Over-

all operating margins had been maintained despite the problem of stolen low margin products sold to the state finding its way back to the private market and eroding profits. "Trading during the review period was affected by inconsistent trends due to speculation on government health care proposals," he said

However, he expected government's determination to reduce health care costs through its focus on primary care to result in greater volume sales at lower margins. This was already evident in the pharmaceutical division, which had achieved moderate market share growth in volume terms without lifting its share in value terms.

The health care division was developing according to plan, with the completion of nine Medicross clinics in the review period contributing to higher than expected

operating losses.

Set-up costs for the clinics pushed borrowings up 389,2% to R181m, with a resultant doubling in the group's interest burden to R12m. This left pretax income 21,5% higher at R79m. Total assets increased 26% to R1,6bn, while total funds employed rose 38% to R998m

The tax bill jumped 28,6% to R36m and the average tax rate increased to 45,6% from 43,1%, due to losses by the new clinics and UK subsidiary Trinity which could not be offset against other group profits. This left taxed profit 16,2% higher at R43m

The group issued a cautionary notice yesterday advising shareholders that it was negotiating an acquisition which could affect its share price. Beningfield declined to name the acquisition partner, saying that it was premature to comment on the deal's details.

DD 29/3/96 (183)

Health risk for some Table View residents

CT 29/3/96

ENVIRONMENT WRITER

(183) (18)

SULPHUR DIOXIDE released in isolated incidents in Table View and other suburbs near the Caltex refinery was an acute health risk to sensitive individuals, a major air pollution study has found.

These incidents occurred less than 1% of the year, however, and affected only 10 to 20% of the population for short periods. They were not a chronic health risk to the community.

Other findings of the Milnerton Air Quality Project, released last night, were that:

- High levels of benzene were an "unacceptable health risk"

- The level of nitrogen oxides in Goodwood often exceeded Department of Environment guidelines

- The odour limit of hydrogen sulphides had been exceeded several times in Table View.

- Fungal spore levels were high enough from time to time to cause allergic reactions in sensitive individuals.

The project was a joint undertaking by the CSIR and City Council and arose out of widespread complaints about air pollution — mostly bad odour, followed by dust, smoke and poor visibility.

The public perception was that the Caltex refinery and the Kynoch fertiliser plant were responsible for the pollution, the report said.

The chief air pollution control officer has instructed Kilson Lime Works to install air cleaning equipment before March 31 and a "cat urine" smell was solved by Waste-tech who cleaned up their Vissershoek site

CHEMICAL SERVICES

RECIPE FOR CONSISTENCY

A steady climb in share price during the past year confirms the high rating of Chemical Services (Chemserve) At 960c, it is just off a 12-month high of R10, after a 10-for-1 split in January In the volatile atmosphere of the chemical sector, such consistency deserves mention.

- **ACTIVITIES:** Manufactures and distributes raw and speciality chemicals.
- **CONTROL:** AECI 66%.
- **CHAIRMAN:** M Sander MD: L van Vught
- **CAPITAL STRUCTURE:** 64,6m ords Market capitalisation: R620,2m.
- **SHARE MARKET:** Price 960c Yields: 2,2% on dividend, 7,0% on earnings; p:e ratio, 14,3, cover, 3,2. 12-month high, 1 000c, low, 670c Trading volume last quarter, 216 302 shares

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	20,0	46,8	36,0	61,1
LT debt (Rm)	6,7	24,4	26,7	6,8
Debt equity ratio	0,05	0,21	0,35	0,30
Shareholders' interest	0,51	0,39	0,40	0,42
Int & leasing cover	8,0	10,4	9,4	8,5
Return on cap (%)	16,8	16,8	17,6	19,3
Turnover (Rm)	437,5	601,9	742,4	899,6
Pre-int profit (Rm)	34,5	52,6	62,8	77,6
Pre-int margin (%)	9,0	9,7	9,5	9,8
Earnings (c)	27	40	51	67
Dividends (c)	14	16	18	21
Tangible NAV (c)	189	203	233	276

Chemserve differs from its stablemates in two key ways Its diverse activities in the manufacture and trading of speciality chemicals tend to limit its exposure to the cyclical swings that bedevil commodities producers

And its licence agreements with international companies, which constrain exports, have steered expansionary ambitions horizontally, into exploiting diverse niche markets for speciality chemicals in southern Africa

Though 1995 produced solid gains — turnover up 21% and EPS up 33% — sales volumes flattened out in the fourth quarter MD Lex van Vught says these were in line with global sales levels, but growing expenses keep margins under pressure He will be happy if the current operating margin of 9,8% — hoisted from 9,5% last year — can be maintained in 1996.

Other threats to income are looming. Raw material prices are likely to rise this year, due partly to a mooted upturn in some commodity chemical cycles and partly to the weakened rand

As the group imports about 50% of its raw materials, working capital levels may rise. But a healthy balance sheet has the capacity to absorb it, gearing stands at 35% However, Van Vught says chemical prices are unlikely to reach mid-1995 levels and a smaller increase can be safely passed on to the market

A declining rand traditionally carries benefits for Chemserve "The markets expect prices to rise when the currency weakens, and inflated sales revenue boosts the gross contribution," says Van Vught.

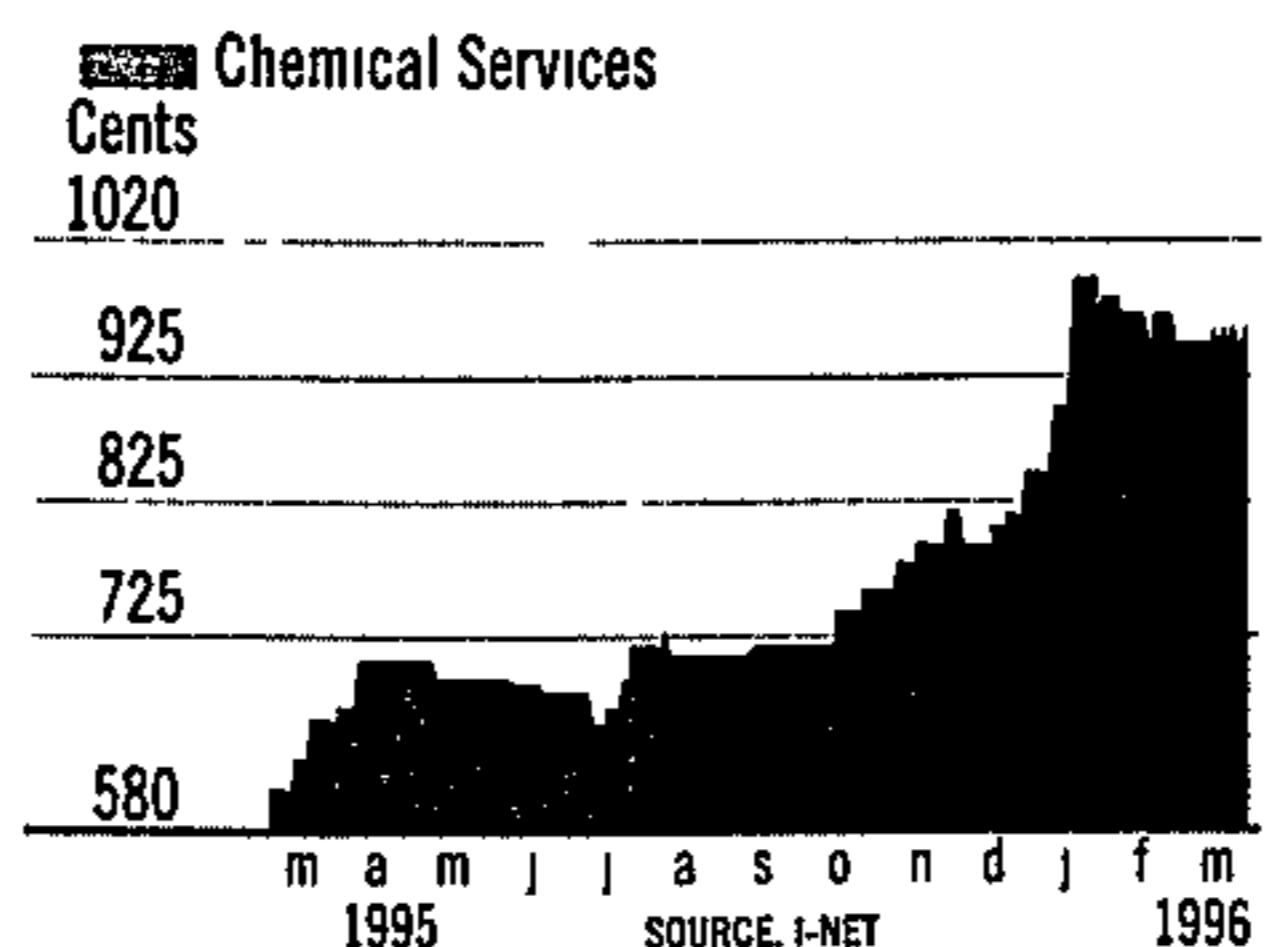
Higher-priced imports also reduce competitive pressures on local manufacturers. As 49% of revenue comes from manufacturing, every little bit helps.

Management predicts a soft first half after a slow start, but a stronger second half is on the cards as the benefits of earlier rationalisations and cost-cutting come through Van Vught also hopes that by then, "input cost pressures will be alleviated" by higher selling prices

A further source of revenue could be another acquisition, due to be finalised around April Van Vught says the target is a manufacturing business and would cost about R20m, but further than that he cannot go at this stage. Dividend cover of 3,2 is aimed at building the war chest for further expansion and diversification

The share split has seen an increase in both the number of transactions and the number of smaller shareholders So af-

fordability has been achieved, says Van Vught, but it is too soon to tell whether liquidity has improved The p e of 14,3 is fairly demanding for the sector but a bright track record makes this an attractive counter *Margaret-Anne Halse*



the people who have food [Interjections] What we are asking the Minister is this. Is she telling members in this House that there are no needy pupils in the 14 000 schools of this land?

I have been a schoolteacher since 1962, and I can tell her that in every school throughout this country there will be some pupils who are needy, because there is a 47% unemployment rate in this country. Now here she comes, proudly advised by her Ministry, telling us that in the 14 000 schools in this country there are no needy children without food. I find that hard to believe. She should check her facts, because I can tell her right now that the ones she has now are wrong [Interjections]

We are pleased that the Minister is going to have this new programme and that people are going to look into this problem. We are pleased that she is going to appoint people in the provinces who will vet the system, people who will check the system to see that no fraud or corruption takes place. We are happy about that. We are pleased that she is taking such progressive steps.

We would like to know, when we table that question again next year, what progress the Minister has made from this time to that time. That is what we want. This House needs to know how the Ministry is improving. This House needs to know that we are not having our children robbed of food in this country. That is the issue. Those who are stealing money from our children must be put behind bars. We would also like to know from the Minister for Health how many of those people were fired or prosecuted or brought to book in the different divisions in the nine provinces in this country. That is what I would like to know [Interjections]

We would like to suggest to the hon the Minister for Health that as has been done in the Western Cape, use should be made of hawkers for the RDP, hawkers who could be trained in nutrition, in order to provide food for those children. The programme in the Western Cape is very successful [Time expired]

THE MINISTER FOR HEALTH Madam Speaker, firstly I would just like to point out to the hon member that it is the duty of the provinces to target the schools at which children should be fed, not that of the national Government.

Secondly, I do take exception to a member, while we are discussing the nutrition scheme, saying that I must be investigated. If hon members come here to get facts about the feeding scheme, that is

what they should be doing. I do take exception to being told that I should be investigated [Interjections]

THE SPEAKER Order!

THE MINISTER Thirdly, I would also like to point out that those who were found to have misappropriated funds were investigated. Some of them have been arrested. I think that the Minister for Safety and Security can indicate how many have been arrested and how far the investigations have progressed.

Debate concluded

Mossgas: partial or complete disposal

4 Mr L M GREEN asked the Minister of Mineral and Energy Affairs

Whether, with reference to the announcement that the Central Energy Fund has appointed financial and technical advisers to advise on the partial or complete disposal of Mossgas, the workers at Mossgas sites will in any way be adversely affected by such partial or complete disposal, if not, what will be the status of such workers, if so, what steps will be taken to protect such workers against any losses?

N404E INT

THE MINISTER OF MINERAL AND ENERGY AFFAIRS Madam Speaker, hon members will remember that the Cabinet decided, on 6 December 1995, that the market should be tested in order to see what private sector interest there may be in investing in Mossgas. The CEF, the State-owned holding company of Mossgas, appointed the Rand Merchant Bank, Arthur D Little and Chem Systems as advisers to assist in managing the process of testing the market.

Short-listed prospective investors will submit final proposals by early August 1996. Following the selection of preferred bidders and subsequent negotiations, the restructuring could be completed by October this year, but at this moment there is no certainty that Mossgas will be sold, because that will depend on whether we will accept the offers that will be made. No decision has been made up to now to dispose of Mossgas, either partially or completely. Therefore it is not yet possible to anticipate the future use for which a privately owned Mossgas would be developed.

It is this future use that will give an indication as to how employees may possibly be affected in the

event of restructuring taking place. The impact on existing employment and the creation of further job opportunities in future will play key roles in the evaluation of any offers to restructure Mossgas. With the national framework agreement in place, and the labour unions continually consulted and informed, the interests of the workers are being taken care of.

Mr L M GREEN Madam Speaker, our concern, raised in this debate today, is how the possible privatisation of Mossgas will affect the lives and families of the 1 200 workers.

Although the Cabinet has made available the amount of R485 million in order to extend the life of Mossgas to the year 2001, we are concerned that the Government is paying more than R1 000 an hour, plus expenses, to overseas consultants to establish the short-term and medium-term viability of Mossgas.

Which industry in the private sector can afford to hire consultants at more than R1 000 an hour? Why is there such a huge disparity between the fees paid for foreign consultants and those for our own local consultants?

The Mossgas monitoring panel, which is the consulting body for Mossgas, has earned in excess of R6.5 million. If one compares the wages or salaries of the ordinary hard-working Mossgas workers, who produce most of the wealth, to those of foreign consultants, it is no wonder that the workers have had to turn to the Chemical Workers Industrial Union to protect their jobs and their future at Mossgas.

We are concerned at the sudden resignations of both Roy Pithey and John Theo. We are led to believe this has happened as a result of bureaucratic bungling by the Minister's department.

We also believe that conditions attached to the R485 million will allow the State to back out of the project at any time, leaving the 1 200 workers and their families destitute. The Chemical Workers Industrial Union and the workers of Mossgas need to know today whether they will still have a share in this operation, and whether there will still be jobs for them as far as this operation is concerned.

How much consultation is being done with the union at present? The Minister says that this is being done on a daily basis. Is the Mossgas monitoring panel in contact with the demands and the grievances of the workers?

We need more information regarding the input of the Chemical Workers Industrial Union and the number of proposals that are being used in the deliberations regarding the future of Mossgas. We urge the Government to take firm steps to ensure that the activities of the Department of Mineral and Energy Affairs do not undermine the rights of workers.

***Mr J A JORDAAN** Madam Speaker, if one travels over the mountain from Mossel Bay, where Mossgas is—to Kannaland—the people there refer to Mossgas as "Moerasgas" (marsh gas) [Laughter]

When I participate in a debate with the ACDP, I find myself tempted to refer to terms which one encounters in the order of baptism. I then want to say that Mossgas or "Moerasgas" was "conceived and born in sin" [Laughter] We all know that the father of Mossgas was a previous State President, Mr P W Botha. When one looks at his old constituency—at the roads, the airport, and so on—it becomes clear that he acted with a large degree of subjectivity, despite the needs of the country at that stage.

However, since then Mossgas has been treated like an orphan. No one wants to stand in as the father to this orphan. This in turn leads to indecisiveness, as is clear from certain agreements and announcements made by the hon Deputy President Mr Mbeki on 6 December and what followed after intervention on the part of the workers.

In this country we believe in transparency. Our party believes that there must be transparency. However, it is also of critical importance that certain decisions must be made with regard to the future of an institution such as Mossgas. I am convinced that the indecisiveness resulted in the best expertise being lost in the process. We believe that decisions must be taken as soon as possible and that the private sector must be involved as much as possible.

We are also convinced that instead of workers having to fear for their job security, there are opportunities for the extension of job opportunities in diversification. The capital needed for this purpose can naturally not come from the taxpayers' pockets. I believe this is the road we must take in future [Time expired]

THE MINISTER OF MINERAL AND ENERGY AFFAIRS Madam Speaker, without mentioning names

An HON MEMBER Why not?

The MINISTER I have today learnt that the education of the ignorant is as much of a problem as the ignorance of the educated [Laughter]

In the first place, I would like to remind the hon member Mr Green that I did not appoint the monitoring panel. It was appointed as a result of a decision of the Joint Standing Committee on Public Accounts. So he must fight with them, please [Laughter]. As a result of their decision, we had to wait for one whole year for the report of the monitoring panel. Eventually on 6 December 1995 I took the matter to the Cabinet which decided at the earliest possible opportunity to appoint consultants to test the market [Interjections]

Again the hon member Mr Green must ask Mr Pithey himself why he resigned. He categorically stated that it was because of the interference of the Joint Standing Committee on Public Accounts [Interjections]. I do not say I agree with that, I am just telling him what Mr Pithey himself said. In the case of John Theo it is also very much the same position. The executives of these companies are saying that one cannot ask them to be accountable in their management and then not give them the power to take decisions. I agree and sympathise with that.

The fact is, however, that Mossgas is there. It is an asset. There is still gas to the value of about R3 billion left there. We have now appointed consultants who have experience, including a South African bank, and not just overseas consultants, and there are already over 80 companies, world-wide and in South Africa, which have shown interest. Our duty now is to optimise the value of this asset, and this is what we are doing, with the assistance of consultants who know their job, who know the trade and who know something about gas and oil and what can be done with them [Time expired]

Mr L M GREEN Madam Speaker, I do not think that the Minister has actually answered the questions that I have raised in this debate [Interjections]. I think that one of the first questions that I raised, was the fact that the Mossgas monitoring panel had been earning in excess of R6,5 million. If we want to save the jobs of the workers at Mossgas, if it is important to have this viability study, why is it taking such a lot of money just to save the jobs of these people, to determine whether this project is viable?

I think that the people higher up, who are taking the decisions are not really concerned about the plight of workers. They are not really concerned about the hundreds of families in the area of Mossel Bay that will be affected by decisions taken at a higher level. I think that we as MPs must go out over weekends and visit these communities and explain to them what is happening in Parliament. We must account for what we are doing as MPs in Parliament. There is this concern that the department, in fact, is doing nothing to give them any clarity.

One of the greatest fears that people have is that at any moment the department could just walk away from whatever is happening and that this plant would be sold off to foreign companies without considering the interests of the workers. I would like to ask the Minister to reply to the question: Why is so much money being invested in foreign people and expertise just to determine whether the plant is viable?

The MINISTER OF MINERAL AND ENERGY AFFAIRS Madam Speaker, I thought I told the hon member that the monitoring panel was appointed at the request of the Joint Standing Committee on Public Accounts. I do not know how often I must repeat this to him [Laughter]. It was not done by my department, but he continues as if I did not answer his question. It was the Joint Standing Committee on Public Accounts that appointed that panel, not my department. I respected the appointment and waited for the report, and I then immediately took the matter to the Cabinet.

The Government as a whole is fully aware of the problem of uncertainty. That is why I met with the Chemical Workers Industrial Union myself. I sent a representative when there were some problems between Mr John Theo and the Chemical Workers Industrial Union, something of which the hon member obviously knows nothing at all [Laughter]. My representative settled the matter with the union. We came to an amicable arrangement within the national framework agreement.

I would really urge the hon member for a change to read my public statements, to read what is said in the press about this matter, and to read how we informed the workers, through management, about their position and how we consult regularly with the trade unions to ensure that, within the bounds of what is reasonably possible, we take care of the interests of the workers.

Debate concluded

QUESTIONS

Indicates translated version

For oral reply

Executive Deputy President (Mr T M Mbeke)

Deputy Minister:
Benefits after having vacated office

* 1 Dr T G ALANT asked the Executive Deputy President (Mr T M Mbeke) †

- (1) Whether a person, after having vacated the office of Deputy Minister, is still entitled to use an official car, if so, (a) for what period, (b) what was the time span between the date on which a certain person, whose name has been furnished to his Office for the purpose of his reply, relinquished the office of Deputy Minister and the date on which the said person returned to the Government Garage the official cars which this person, as Deputy Minister, had been using and (c) approximately how many kilometres were travelled with each of these official cars in the period between the dates specified in paragraph (b),
- (2) whether a person, after having vacated the office of Deputy Minister, is still entitled to use telephone services charged to the account of the Department concerned, if so, for what period,

- (3) whether the person mentioned in paragraph (1), after having relinquished the office of Deputy Minister, continued using a Government cell phone, if so, up to what date?

N275E

The EXECUTIVE DEPUTY PRESIDENT (Mr T M Mbeke)

- (1) (a) Yes, until the end of the month following the month in which their service terminates (Source: Guidelines for Ministers and Deputy Ministers)
- (b) The Deputy Minister had full privileges up to 31 May 1995. The BMW motor car was retrieved by the Government Garage (Pretoria) on 19 October 1995, thus four months and 19 days. The Mercedes-Benz

was retrieved by the Government Garage (Cape Town) on 28 November 1995, thus five months and 28 days (Source: Government Garages, Pretoria and Cape Town)

- (c) The BMW travelled ± 10 793 km and the Mercedes-Benz ± 13 273 km (Source: Government Garages, Pretoria and Cape Town)

- (2) Yes, until the end of the month following the month in which their service terminates (Source: Guidelines for Ministers and Deputy Ministers)

- (3) Yes. It was repossessed by the State Attorney on 16 October 1995 (Source: Departmental records)

Dr T G ALANT Madam Speaker, arising out of the hon the Executive Deputy President's reply, I would like to ask him whether he has taken steps to assess the damage to the one motor car of which we have read in the press, and to get the said person to compensate the Government for the damage to the car, for the kilometres travelled and for the telephone expenses?

The EXECUTIVE DEPUTY PRESIDENT (Mr T M Mbeke) Madam Speaker, my talents as a panel beater are very limited [Laughter]. The State Attorney asked that the Government garages in Cape Town and Pretoria should take steps to recover the cars and follow up any matters that needed to be followed up with regard to that. So this is a matter that was going to be dealt with by the Government garages of, for instance, Transport and Public Works under the Western Cape Provincial Administration. It is those people who would have taken care of that particular matter.

As far as the cellular telephone is concerned, the Department of Arts, Culture, Science and Technology paid the money that was owed, then claimed the money from Parliament. The department says that that matter, as far as it concerns them, has been settled. Parliament would then reclaim that money from the former Deputy Minister.

Dr T G ALANT Madam Speaker, I do not expect the hon the Executive Deputy President to have the answer to hand, but on another occasion I will get the information from him about the exact monetary value of the expenses incurred through these actions of the said person.

AECI unhappy with own safety procedures

Mungo Soggot

AECI's community safety procedures at its Somerset West operations — a sulphurous fire there killed two and injured many last December — had been wanting, the Anglo American chemical group said in the annual report.

Chairman Mike Smith said: "At Somerset West, where operations have been reduced and many plants closed in recent years, the quality and effectiveness of the community awareness programme left much to be desired."

He said the fire "underscored the wisdom of the group's policy to encourage, through its community awareness and emergency response committees, open-door, interactive contact with the communities adjacent to each operational site"

Although the cause of the fire had yet to be explained, AECI had accepted full responsibility and paid out the victims' claims.

It was reported earlier this year that these claims amounted to about R20m. However, AECI made no provision for these in its accounts.

Smith said that, apart from this incident, compliance with environmental and safety regulations had been of a high order. He noted that the injury rate for AECI employees away from work was three times higher than when they were at work.

Smith said AECI should boast some further earnings growth this year, cashing in on improved access to world markets and a sprightlier performance from the RDP.

The chemical group — which lifted share earnings 37% to 255c in the year to December — was "achieving satisfactory results ... in the present somewhat weaker international markets".

When it unveiled its year-end accounts on March 6, AECI announced plans to issue shares in subsidiary Afex Holdings, to cut its hefty debt.

The group's borrowings, which have long been a source of concern for analysts, swelled to R1,4bn from a previous R1,01bn.

Smith said AECI had made "good progress" restructuring its businesses during the year. Its ammonia and urea operation at Modderfontein continued to receive critical attention.

Speciality company Chemical Services had again proved immune from the vagaries of the commodity cycle, which had hit plastics company Polfin badly at the end of last year, he said.

One of the more eye-catching features of the company's income statement was the R2m spent on "equity related incentives".

It said this included "bonus units realised by the chairman on relinquishing executive director status", but declined to give a breakdown.

BD 1/4/96

(130) 183

Govt to prohibit doctors and pharmacies from marking up medicine

Kathryn Strachan

GOVERNMENT will reduce the price of medicines dramatically on July 1 when it introduces legislation to prohibit private doctors and pharmacy retailers from placing a mark-up on the price of medicines they dispense.

The prohibition, to be enforced by the health department, will be effective on July 1, from when consumers will pay only a small dispensing fee for medicines on top of the wholesale price. The dispensing fee will be covered by

medical aids. Doctors will still charge consulting fees.

The Medicines Control Council was preparing regulations to compel doctors to prescribe generic medicines. This would have a major effect on the cost to consumers, said health department director of medical schemes, supplies and services, Precious Matsoso.

While pneumonia could be treated with the brand product Amoxil at a cost of R94, the generic equivalent would cost R4,11. Health ministry special adviser Ian

Roberts said the dispensing fee was still being negotiated between doctors, pharmacists and the department.

Matsoso said it was important that doctors' consulting fees were improved in tandem with the new plan.

Roberts said the department was also exploring the most rapid means of effecting new drug legislation in order to implement this plan.

The new drug policy would limit the number of dispensing licences given to doctors. Private doctors would have to prove their competency to dispense,

and would be licensed only if there was no pharmacist in their vicinity.

Roberts said medicine prices in SA's private sector were among the highest in the world. The health department was obliged to ensure all people had access to affordable health care whether they used public or private health facilities.

He said the new drug policy addressed the entire medicine chain, and all levels including medical aids would be affected. Pharmaceutical consultant Mark

Hymann said pharmaceutical retailers would have to restructure their operations completely in order to survive.

Each month 2% of retailers closed down, and unless changes were made, 25% to 30% of retailers might have to close in the next year.

Matsoso said that if all these plans did not succeed in achieving savings in the private sector, the department would need to look at applying the essential drug list — which would be introduced in state clinics next week — to the private sector.

Energy Africa's income declines

BO 2/4/96 (183)

Samantha Sharpe

CAPE TOWN — Engen's oil and gas exploration and production subsidiary Energy Africa posted operating income of R1,4m for the six months to February compared with R5,1m a year before, following disproportionately lower exploration expenditure.

Chairman Rob Angel said the company had written off exploration costs of R27,5m compared with a previous R9,6m.

"Our overriding objective and performance measure was growth in net asset value a share ... We are confident that active exploration and the development programme before us will bring substantial real growth to the company," Angel said.

Share earnings surged to 752,6c against 14,1c previously, boosted by a once-off capital restructuring exercise prior to the company's JSE listing last month.

Stripped of the capital restructuring effect, the company showed a 3,4c share loss against earnings of 0,4c at the same time last year.

No dividend was declared, as is usual with exploration companies, which plough all profits back into the company.

Angel said an 18% rise in production and 10% increase in the average price per barrel for crude

oil helped lift turnover to R69,7m from a previous R51,7m.

Higher cost of sales at R37,5m against a previous R32,4m brought gross income to R32,2m compared with R19,3m at the same time last year.

A R429m exceptional item arising mainly from the company's capital restructuring as part of its pre-listing transactions and a reduced tax charge helped lift net income for the period to R427,1m from R7,96m.

Angel said total net proceeds from equity offerings were expected to amount to R345m which, together with a 35% increase in net cash inflow from operations to R41,6, would allow the company to take advantage of "interesting opportunities".

"The E-BT development in the Bredasdorp Basin offshore SA is scheduled to come into production in February 1997, the Nkossa development offshore Congo will come on stream in June this year and the second phase of the Alba development in the UK North Sea will come on stream in 1997."

Growth in Energy Africa's production from existing assets was projected to result in a doubling of production over the next three years, with exploration activities focused on west and southern Africa, he said.

Engen earnings expected to double to 114c a share

Samantha Sharpe

CAPE TOWN — Oil group Engen was expected to show a turnaround in the six months to February with at least a doubling in earnings to 114c a share, boosted by better refining margins and throughput, analysts said yesterday.

The group is due to publish its latest interim results tomorrow.

Analysts said it would accompany its half-year earnings — which come off a low base — with an increase in dividends of up to 50% to 45c a share.

Improved refining margins and better refinery crude throughput and finished product yields, although “not up to scratch”, would be the determining factors for 1996 profit levels.

Engen's earnings took a hard hit last year from the lowest international refining margins in about eight years and operational difficulties at its refinery, with the group posting a 49% slump in net income to R90m at the interim stage.

The analysts said southern African sales and marketing, another key prof-

BD 2/4/96 (183)
it factor, would receive a boost from the change from Trek branded retail sites to Engen sites, although most of the benefits of the branding switch would become evident in the second half.

“Improved SA fuel sales volumes would have helped most major SA marketers, including Engen.”

The group showed local demand growing at a rate of 5,6% last year — well ahead of 3% economic growth.

The benefits of the group's restructuring, which resulted in a 15% reduction in staff levels and costs of about R79m last year, would now start to flow, they said.

Engen has estimated ongoing cost savings from the project at more than R55m a year.

Simply having the non-recurring cost out of the latest financial statements boded well for half-year earnings, they said.

The analysts said the listing of Engen's oil and gas exploration and production business in separate company Energy Africa would have little effect on the group.

Soweto patients try out free clinics

Kathryn Strachan
BD 2/4/96

THERE was an atmosphere of festivity as primary health clinics in Soweto opened their doors yesterday and treated all who came free of charge. Patients flooded into the clinics on the first day of government's free primary health care for all — but clinics reported that despite the surge, the first day had gone smoothly.

"People are very happy they have been given this opportunity to get free health care," said chief matron Theodora Mohadi, who supervises all the clinics in Soweto.

The consulting room in Soweto's Zola clinic was packed, but matron Vivien Makedana said extra nurses and doctors had come in to deal with the flood.

At Chiwela clinic patients were in for a wait because they had all come before the clinic doors had opened, said matron Dorothy Mosaka. By 2.30pm the clinic had seen about 600 patients, and by 3pm there was just a trickle of patients coming through.

Some matrons said nurses had complained about being overworked yesterday, but the additional staff who had been brought in had helped.

Gauteng deputy director-general of health Eric Buch said he was impressed by the commitment and enthusiasm of the nurses — as well as by their questions about how the plan would be sustained.

See Page 19

Limit on drugs faced if private sector fails to curb its prices

Kathryn Strachan
BD 2/4/96

medicines dramatically on July 1 by introducing legislation to prohibit mark-ups by private doctors and pharmacy retailers.

Consumers will then pay only a small dispensing fee in addition to the wholesale price. The department was also introducing regulations which compelled doctors to prescribe cheaper generic medicines.

Representative Association of Medical Schemes executive director Declan Erennan welcomed the move, but warned of the dangers of "merely shifting costs" and called for consultation with all stakeholders to ensure that the consumer benefited.

He said that in SA 30% of medical aid is spent on medicines, compared with between 8 and 10% in the UK and the US.

Health ministry special adviser Ian Roberts said the drug policy unveiled this week addressed the entire medicine chain, and all levels including medical aids would be affected.

Pharmaceutical retailers have supported the move as they believe a dispensing fee will give them greater security than a system of mark-ups.

Pharmaceutical Society's Brian Walpole said the medical-aid schemes imposed a discount on mark-up, and the retailer came out

with very little. The retail sector is struggling and an average of 2% are closing down each month.

There is also pressure on pharmacists to play a role in primary health care rather than simply surviving on retail profits.

The department's moves are aimed at creating transparency along the entire chain, so that customers will be able to see the exact mark-up on a product at each level.

Trade and Industry Department chemical and applied industries director David Walwyn says there is a long way to go in creating a viable pharmaceutical manufacturing industry. Because the cost of raw materials was high, very little profit was made.

Health department director of medical schemes, supplies and services Precious Matsoso said the high cost of raw materials for subsidiaries of multinationals was in many cases due to "transfer pricing" — the local subsidiary charged an excessive price for raw materials, leading to low profits locally.

She said that although trade and industry had removed the import duties on raw materials for pharmaceuticals last year, this step had not resulted in a lowering of prices.

ARG 2/4/96

R1-billion drugs stolen

(183)

Zuma says tough curbs in prospect to deter fraud

The Argus Correspondent

DURBAN. - The Department of Health and Welfare is probing the loss of scheduled drugs estimated at least R1 billion, and may use codes to deter further thefts, Health Minister Nkosazana Zuma has announced

Dr Zuma also indicated yesterday that the European Union's R14 million ploughed into *Sarafina 2* might be returned if it made a formal request

Interviewed during a tour of several clinics in rural communities in KwaZulu-Natal, she said drug losses had cost the pharmaceutical industry R1 billion over a three-year period from 1993 to last year.

They were believed to be mainly due to fraud and pilfering

"Anyone found with drugs they shouldn't have should be prosecuted," Dr Zuma said. "Manufacturers should mark the drugs so that it is clear whether the drug is destined for the private sector or public sector"

Regional Health Ministry spokesman Dave McGlew said "I believe that the police are also investigating the theft of drugs, which has become serious in the health sector. New, stricter regulations will no doubt put an end to the racket"

Asked to comment on reports that the EU was demanding its R14 million back after the *Sarafina 2* débâcle, Dr Zuma said if the request was made formally, she saw no reason why it should not be granted

"I will not debate the matter through the Press . if the request is formal then I don't see a reason why it should not be given back"

She added that the play was reaching its intended target and that young people in Soweto had taken to it

Dr Zuma, together with provincial Health Minister Zwelli Mkhize, visited clinics in Mthandeni, Mvutshini and Sivananda which will undergo upgrading shortly

Restructuring aids Engen's recovery

BO 3/4/96

(183)

Samantha Sharpe

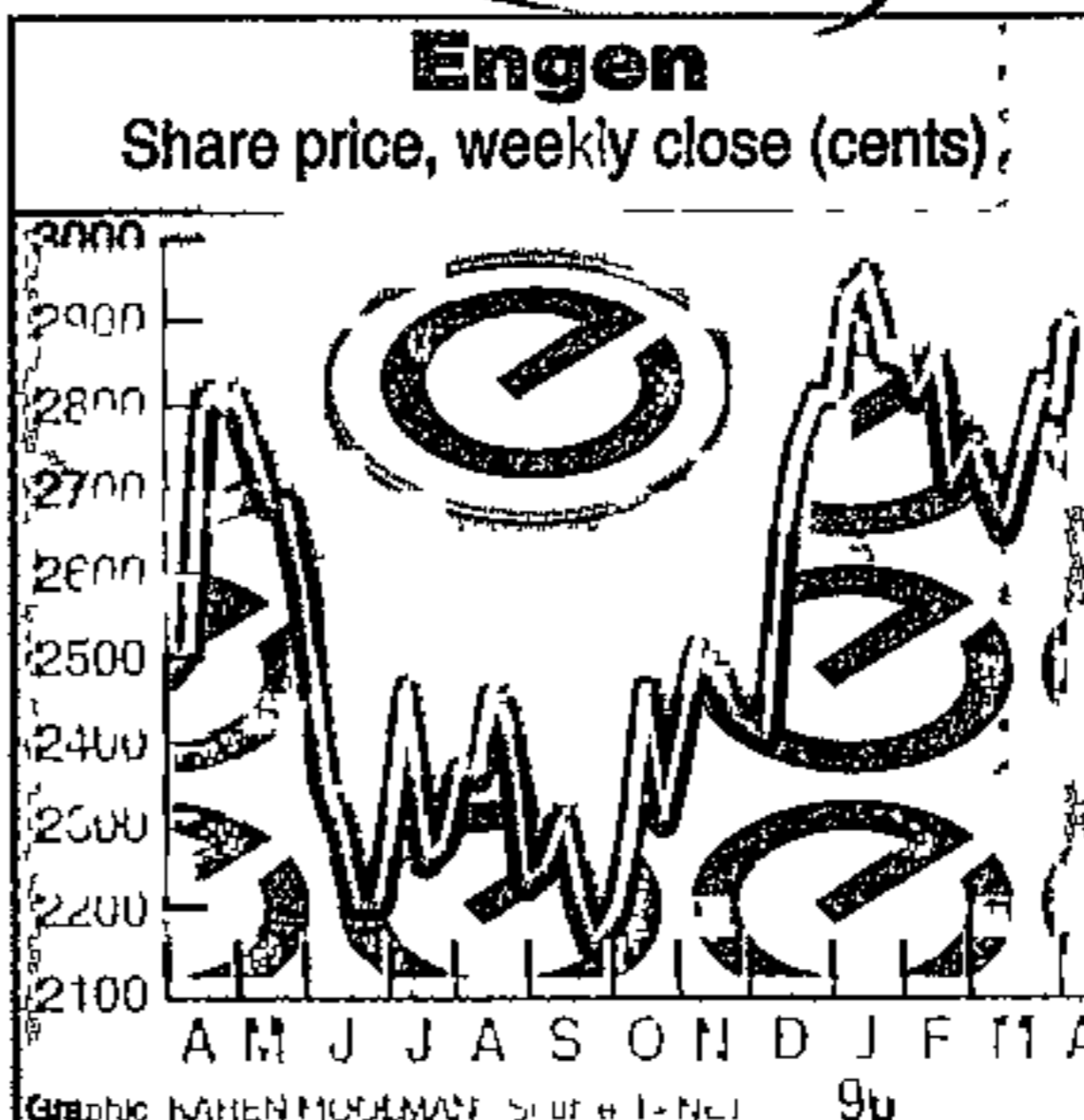
CAPE TOWN — Engen lifted attributable earnings 55,6% to R90m for the six months to February as fatter refining margins, operating gains and the benefits of its restructuring helped the group recover from last year's poor performance

Share earnings rose to 88c (57c). The dividend was 20% higher at 36c

The growth fell far short of market expectations of at least a doubling in earnings, and CE Rob Angel said second-half growth would be lower

Engen had started to reap the benefits of its restructuring programme, which would save it an additional R11m over and above the R55m estimated last year. But there was still "some way to go," particularly among non-core businesses, although Angel ruled out further retrenchments

The group had experienced an encouraging improvement in operating



performance, with crude throughput at the refinery rising 43% to 16,3-million barrels and yields on a constant gravity crude basis better. Engen would use a planned partial shutdown in May to

Continued on Page 2

Engen (183)

Continued from Page 1

BO 3/4/96
implement minor modifications aimed at increasing yields and improving reliability further. But the refinery had suffered more than 20 power interruptions in the first half of the year, which had a "severe" effect on refinery performance and lost production and cost the group about R10m

"The situation continues to be unacceptable and we are redoubling our efforts to address the problem together with Eskom and the Durban Corporation," Angel said

Turnover rose 7,4% to R4,58bn, while operating income before depreciation and inventory effects showed a subdued 11% increase to R306m, despite the surge in crude throughput. This was largely due to yields falling short of optimum operational capacity.

Operating income before an R8m exceptional item — the price of certain fuel products rose 1c/l to enable the industry to recover arrear service differential — rose 40,1% to R241m. Angel said Engen had benefited from an increase in global refining margins, as well as from higher absolute levels of crude and product prices

Net financing costs increased from R68m to R79m as average borrowings rose to fund expansion at the refinery, with pre-tax income up 57,4% at

R170m. This resulted in a tax charge, including a transfer to the tax equalisation reserve, of R30m compared with a previous R13m, with net income up 55,6% to R140m

Angel said second-half net income would be lower, largely because of an increase in Engen's equity accounted share of Energy Africa's budgeted net exploration expenditure

On the group's southern Africa sales and marketing, Angel said steps taken to halt Engen's decline in retail market share would be felt only in the medium to long term

"However, increased volumes have resulted from the re-imaging of the Trek sites to Engen," he said

"The first six months of the 1996 year also saw the successful introduction of unleaded petrol to service pump stations, although it is difficult at this point to measure the impact unleaded has had on the market"

The commercial sector was "again characterised by fierce competition, resulting in margins in this business coming under further pressure"

Angel said discussions over a possible alliance with Sasol would remain on hold until such time as disputes surrounding the issue were resolved. Sasol and Total SA are arguing over jointly owned refinery Natref

Angel said he was aware of speculation on the creation of a new oil company Sanoco, "but we see no benefit in this for Engen shareholders"

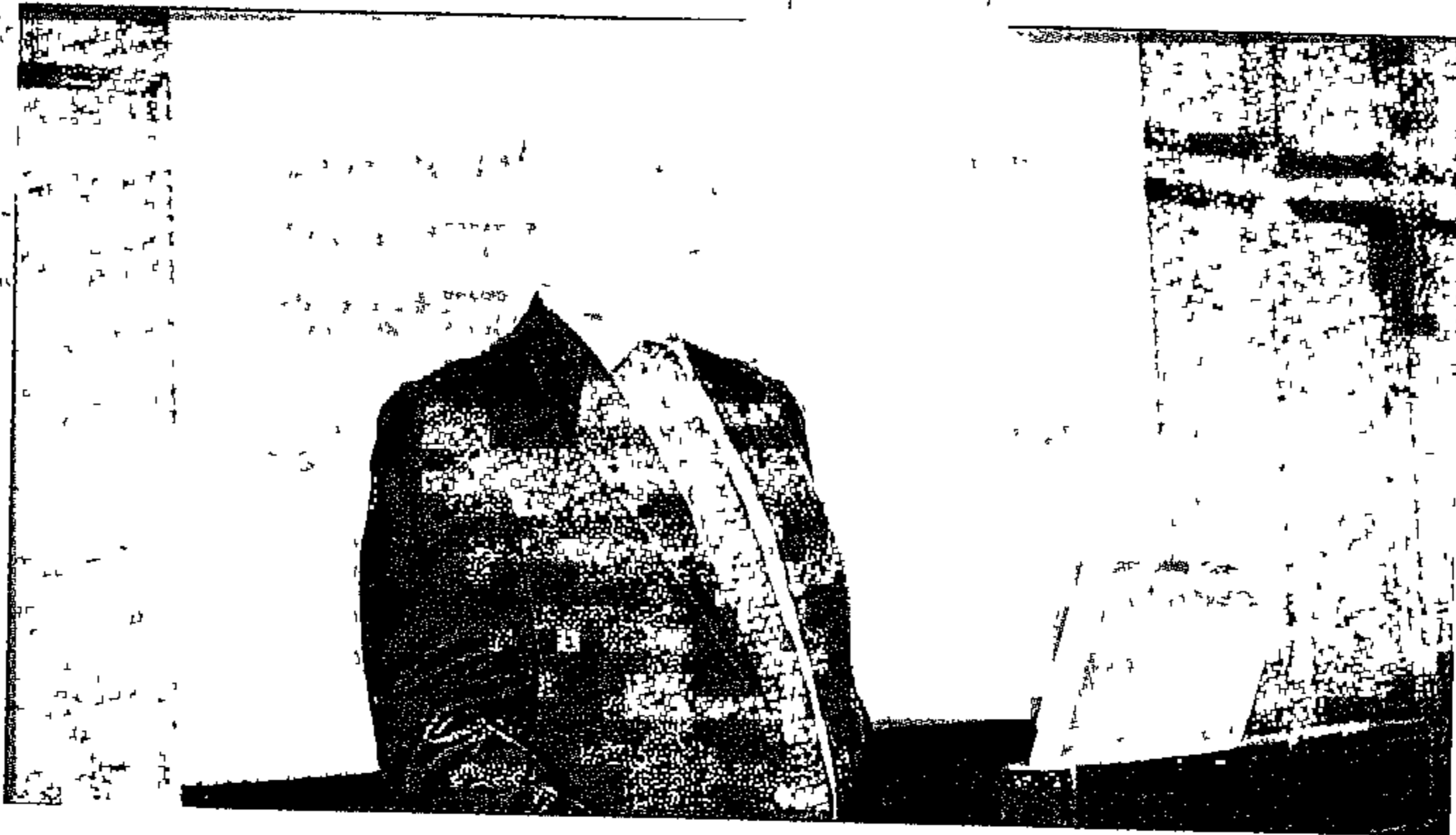
Taxi fares hit by petrol hike

(183) (244)
JOHANNESBURG. Today's eight cents a litre increase in the petrol price would add to the suffering of taxi commuters who would have to pay higher fares, Lehlabile Taxi Organisation spokesman Mr Jacob Ledwaba said yesterday.

The R40-million financial assistance package promised to the taxi industry by Transport Minister Mac Maharaj from April 1 would cost the government nothing because of the petrol increases, he said.

"We have the government giving with one hand but taking everything they give with the other." — Sapa

CT 3/4/96



GOOD NEWS Engen's Rob Angel announces a 7,4 percent increase in the company's turnover for the first half of this financial year

PHOTO JOHN WOODROOF

(183) CT(BR) 3/4/96

Engen emerges from the doldrums

BY JAMES LAMONT

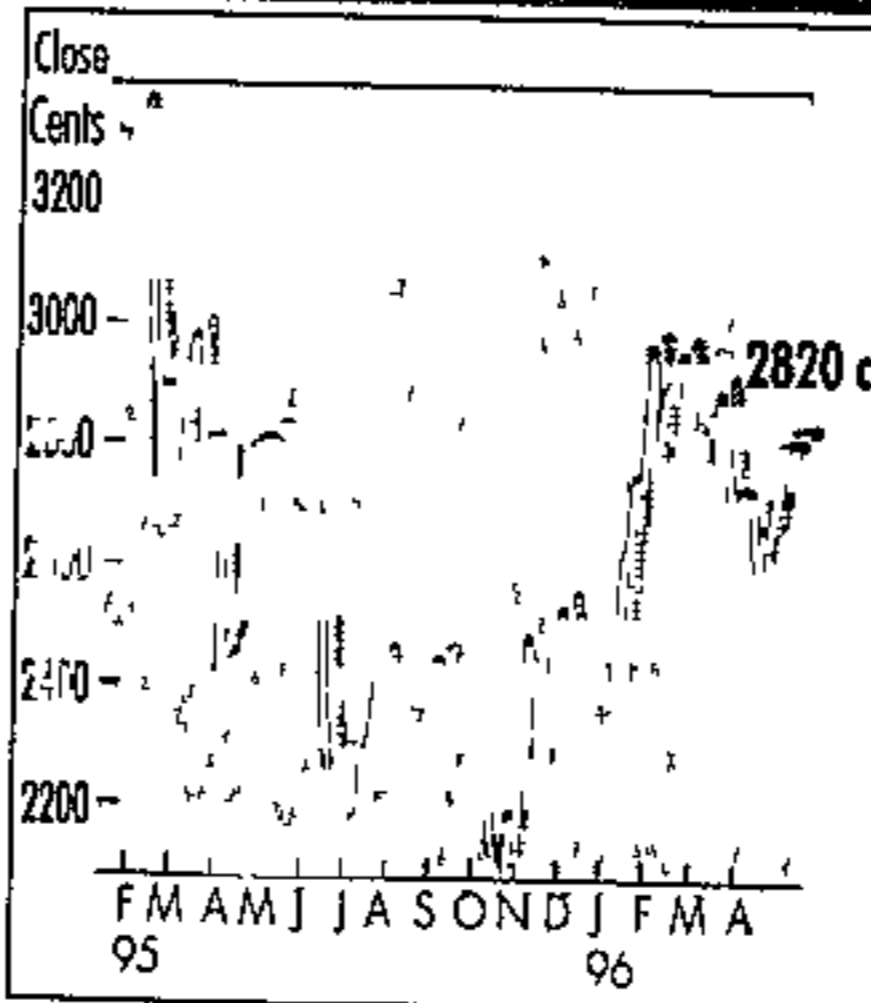
Johannesburg — Engen, the independent South African oil company, showed encouraging signs of recovery in its interim results for the six months that ended on February 29

Operating income before exceptional items increased 40,1 percent to R241 million and net income rose 55,6 percent to R140 million

Turnover of R4,58 billion for the first half of this financial year was 7,4 percent better than the figures for the same period last year, the company said yesterday. Pre-tax income increased to R170 million from R108 million last year

Earnings a share rose to 88c (57c previously) and cash earnings a share — where all items of a capital nature are stripped out

ENGEN share price



— rose to 147c (111c) The dividend was increased to 36c (30c)

Rob Angel, Engen's chief executive, said the improvement resulted from better refinery operating performance, higher international refining margins, continued growth in the South African economy and the benefits of major restructuring

Angel said operational performance was expected to improve steadily in the second half of the year. If international crude and petroleum prices and refining margins remained similar to the first half, Engen's operating income before exceptional items should be higher

Net income was expected to be marginally lower because of Engen's higher equity share in Energy Africa's budgeted exploration expenditure, he said

Engen's upstream arm, which raised net capital of about R345 million at its listing, is active off the coast of South Africa, Angola, Namibia, Congo, Gabon and in the North Sea

Angel said expansion into sub-Saharan Africa was being coupled with a push for an increase in wholesale margins in the regulated industry at home

Star 3/4/96

8c petrol price hike due to weak rand and Budget

(183) (217)

The price of petrol shot up by 8c/l from today, a heavy hike which has stirred the ire of taxi drivers and prompted many motorists to pull in at pumps before midnight last night.

The steep climb is partly due to the 3c/l increase in the fuel levy announced in last month's Budget combined with international market forces which affect the fuel price each month.

This means for every litre of petrol, motorists will now be paying 65,9c towards Government coffers.

Inland pump prices are now R1,92/l for 93 octane and R1,88/l for unleaded petrol.

Motorists at the coast pay slightly less because there are no fuel transport costs.

Lehlabile Taxi Organisation spokesman Jacob Ledwaba said the hike would add to the suffering of taxi commuters, who would have to pay higher fares.

The R40-million financial assistance package promised to the taxi industry by Transport Minister Mac Maharaj which started on April 1 would cost the Government nothing because of petrol increases, he said.

Peter van Eekelen, a Melville service station manager, said people seemed to accept price increases more easily now than in the days of National Party rule. — Staff Reporter

Sentrachem sales receive a boost from Hampshire

004/4.96

(183)

Edward West

SENTRACHEM's attributable income rose 12% to R101m for the six months to December, reined in by falling prices and a slowdown in the manufacturing sector

Share earnings on an expanded share base rose 4% to 55c. The interim dividend was set 2c higher at 14c. MD John Job said trading conditions had been tough with lower demand and commodity prices, which squeezed margins

The performance was expected to pick up in the second half to show real earnings growth as commodity prices firmed, but compound earnings growth over five years would slip to about 20% from 23% last year

US-based Hampshire Chemical Corporation, bought for R880m last year, was included in the results for the first time. It was the major contributor to sales jumping 32% to R2,3bn. Stripped of Hampshire, the sales growth

would have been 9%.

Operating income was 20% up at R183m, reflecting pressure on margins over a broad range of products. Finance costs increased to R70m (R28m) as a result of the acquisition and the debt to equity ratio climbed sharply to 57% from 19%. Without the acquisition, the debt to equity ratio would have remained relatively static

The proceeds of the \$60m international equity placement last year — which had expanded the share base by about 10% — had been brought onto the balance sheet, but Job said gearing was above what the group considered "comfortable." Debt amounted to about R1bn, R660m of which arose from the acquisition

Heavier finance costs forced pre-tax income down 10% to R113m, but this was offset by lower tax of R8m (R27m)

Job said tax was low because of the extent of offshore activity. This represented 41% of sales —

half from Hampshire

The R80m write-off on funds advanced to Adriatic Shipping proved to be adequate and further recoveries from the R8m already recovered were not expected to be substantial

Of contribution to group income, Safripol and Karbochem remained static while Sanachem improved. NCP reported lower profit on last year's record levels. Negotiations for the sale of the last two Mega Plastics operations were hoped to be over by year-end

A decision on the R500m chrome chemical joint venture project with Bayer was expected in the third. The group, in a consortium with Sasol and AECI, had joined the list of companies looking to participate in restructuring Moss gas with the mineral and energy affairs department, Job said

The consortium had mooted plans for a brownfields methanol development using Moss gas's gasfields

Engen 'must share blame'

(183) (250)
BD 4/4/96
Nicola Jenvey

DURBAN — Eskom hit back at Engen yesterday, claiming the oil company had to share the blame for the power supply problems which had cost the company R10m in lost production.

The parastatal was working with Engen and Durban Electricity to alleviate the power dip problems, Eskom key customer relations manager KwaZulu-Natal Hugh McGibbon said.

But Engen had not taken steps to minimise the effects of minor dips in electricity, he said. Such measures included using battery generation as a back-up and installing metering warning systems.

Eskom had offered Engen a research team to draw up plans to limit its vulnerability.

Durban Electricity transmission director Tony Dold said the problems Engen had experienced happened internationally and plants could make themselves less vulnerable to minor dips.

Several projects had been initiated in recent years to improve quality of supply and international consultants were assessing the corporation's quality.

US acquisition helps lift Sentrachem earnings 12%

(183)

CT(BR) 4/4/96

BY SEAN FEELY

Johannesburg — Sentrachem, a chemical and plastics producer, said yesterday interim earnings rose 12 percent as its tax bill dropped and sales were buoyed by the inclusion of the United States company it bought last year.

Earnings attributable to ordinary shareholders increased to R101 million in the six months ended February 29 from R90 million in the same period a year earlier.

The rise in earnings a share — a 4 percent improvement to 55c from 52,9c — was less than the increase in attributable earnings because of a higher number of shares in issue.

That was largely because of Sentrachem's international equity placement last November.

The company declared an interim dividend of 14c a share, 17 percent higher than the 12c paid at the same stage last year. Sentrachem's share price has gained 12,67 percent to R16,90 in the past six months compared with a 23,65 percent advance in the JSE's chemical, oil and plastics index.

Sales increased 32 percent to R2,32 billion in the first half from R1,76 billion a year ago because of the inclusion of Hampshire Chemical, which Sentrachem bought last year.

Operating income rose 20 percent to R183 million from R153 mil-

lion even as margins fell to 7,9 percent from 8,7 percent because of lower commodity prices, said John Job, the managing director of Sentrachem.

Financing charges soared to R70 million in the first six months from R28 million because of the debt incurred to finance the \$236,5 million Hampshire purchase.

That translated into a 10 percent decline in net income before tax to R113 million in the first half from R125 million at the same stage in the previous year.

A lower tax bill of R8 million from R27 million a year ago helped ensure an overall increase at the bottom line.

AECI

(183)

MORE ADVENTUROUS

FM 5/4/96

Three years into a major restructuring programme, AECI is showing the benefits of increased competitiveness and a diversified product range

After years of pedestrian growth, trading profit, trading margin and EPS all

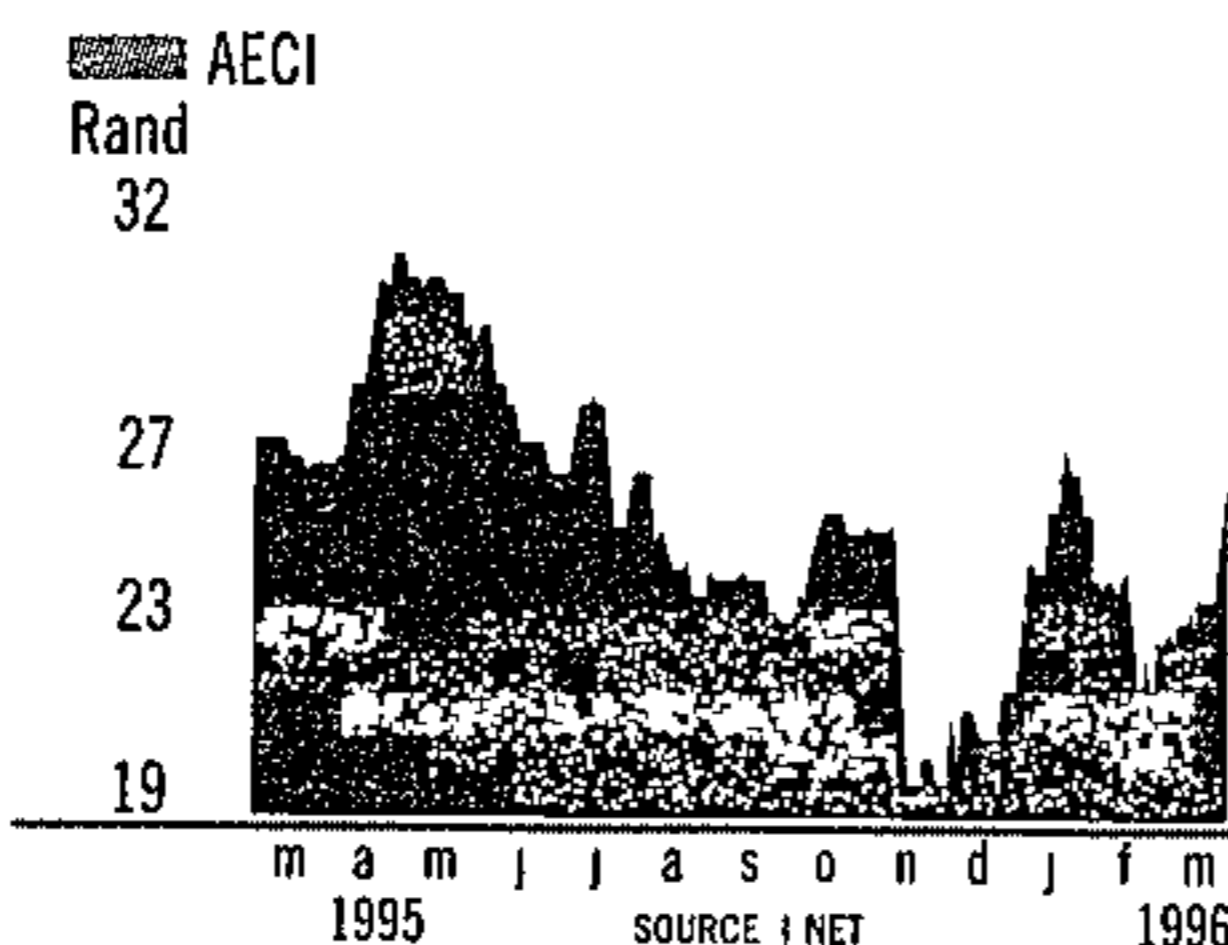
- **ACTIVITIES.** Manufactures and supplies chemicals and related products
- **CONTROL.** Amic 39%
- **CHAIRMAN.** M Sander MD M Smith
- **CAPITAL STRUCTURE** 155m ords Market capital R4,19bn
- **SHARE MARKET.** Price 2 700c Yields 3,1% on dividend 9,4% on earnings, p e ratio, 10,6, cover, 3,1 12-month high, 3 200c, low, 1975c Trading volume 5,0m shares

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	454	307	803	924
LT debt (Rm)	341	738	478	639
Debt equity ratio	0,36	0,39	0,33	0,48
Shareholders' interest	0,50	0,49	0,53	0,48
Int & leasing cover	2,1	4,0	4,4	3,4
Return on cap (%)	10,7	10,7	7,3	11,1
Turnover (Rm)	5 359	5 968	5 547	6 705
Pre-int profit (Rm)	440	482	434	690
Pre-int margin (%)	8,2	8,1	7,8	10,3
Earnings (c)	106	153	186	255
Dividends (c)	58	58	68	83
Tangible NAV (c)	1 303	1 394	1 984	1 846

rose sharply in 1995 — reflecting the sharper focus of operations and stronger demand, locally and internationally. But domestic demand wilted in the second half as markets softened.

Effects of the changes are visible, operationally and financially. The chlor-alkali, plastics and mining reagent businesses were spun off into 40%-owned Polifin and a 51% share of the explosive business swapped with ICI (SA) in return for a 50% holding in Afex Holdings, reducing AECI's exposure to cyclical chemical and shrinking explosive markets.

With a view to improving flexibility and response time in the face of changing markets and customer needs, remaining operations are in four main subsidiaries: speciality chemicals in Chemical Services (Chemserve), paint in Du-



lux, fertilisers in Kynoch and textiles in SA Nylon Spinners (Sans)

Smaller operations, including joint ventures, house the group's hopes for the future in the form of cutting-edge biotechnology projects. Already, observes chairman Mike Sander, "the first fruits of this initiative have emerged in the form of the lysine and amino acids venture, the food chemicals plant, the production of specialised fertilisers for international markets and the tissue culture business."



Mike Sander successful penetration of export markets

The balance sheet shows the cost of these efforts. Investment in new capacity and technology (almost R500m for 1995 alone) plus the large increase in working capital needed to finance higher levels of trade as turnover rose 21% have lifted debt to R1,6m.

Gearing at 48% is a constraint on future expansion and financing costs of R203m make a significant dent in earnings. Sander admits that "attractive new investment may not be realisable without additional equity funding."

The board plans to realise its investment in Afex, worth almost R1bn, through a global share placement. Dividend cover has been increased to 3,1 to conserve funds for growth, which held the dividend increase to 22%. Capital management has improved, with returns on capital and on equity rising steadily.

Export sales topped R1bn. Sander says the 29% jump in export turnover resulted from "successful penetration of international markets largely as a result of full usage of new capacity at Sans and the recommissioning of mothballed phosphate and acid plants at Kynoch and the elimination of bottlenecks there."

At operational level, Kynoch reaped the benefits of good rains as demand from the agricultural sector jumped. All surplus product was exported.

Prospects in the global fertiliser industry look brighter than for some time as demand catches up with supply and

the Chinese and Indian markets expand. Turnover of R1,8bn makes this the biggest contributor to total turnover, trading profit almost doubled to R153m.

Sans, which makes synthetic yarns, started out the year well and then fell prey to weakening polyester yarn prices as China withdrew from the market. Illegal imports in the garment industry are hammering apparel yarn sales, though industrial sales increased 16%. Trading profit at R95m was flat

due to the weakness in the local apparel markets in the second half. Sans, which exports almost 40% of production, is now concentrating on specialised yarn niche markets.

Chemserve is under pressure from higher input costs and international competition but produced creditable increases in turnover and earnings. Its relative immunity to commodity cycles means a less volatile income stream.

Dulux, now restored to health, responded well to burgeoning demand in technical and automotive markets.

DATES TO REMEMBER

Last day to register for dividends:

Friday Apr 12: Alpha 180c, Ass Mang 250c, Batecor ▲3,5c, Berzack 12,5c, Bivec 9c, Brian Porter 8c, Coates 8c, Confed 121c, Fransaf 3c, Hyprop ▲37,26c, ICH 57c, Macadams 3c, Norvest ♣35,5355c, Omnia 30c, Premium ♣7,26c, Toyota 56c, TPN 1,4c, Voltex 2,75c

Meetings:

Tuesday Apr 9: Buffels (S)

Wednesday Apr 10: Norwich (Cape Town)

Thursday Apr 11: Aries (Claremont), McRtail (2S) (Durban)

Friday Apr 12: Marlin Corp (S) (Sandton), Marlin Holdings (S) (Sandton), Metclick (S), Metclick Hold (S), Natrust (S)

All meetings are in Johannesburg unless otherwise stated. S = Special meeting ♣ = Per linked unit ▲ = Cap award option

SLOWED BY MURKY POLICIES

Am 5/4/96
 A bottom-line advance of 23% in difficult trading conditions and higher than expected development costs over the first-half is a respectable result for SA Druggists. But with CE Peter Beningfield noting that conditions are not expected to improve for the full year, it could be a long haul before the company gets full benefits of the low-margin, high-volume route it's following.

Not least among the problems is lack of clarity from government health authorities on future policy. Beningfield says, however, that one clear direction to emerge from government is its determination to reduce the cost of health care, the focus being on primary care.

That directly affects Druggists' prices and margins. In this respect, the group did well to maintain the rand value of its market share. Volumes, particularly in pharmaceuticals, grew substantially.

WAITING FOR ZUMA

Six months to	Feb 28 1995	Aug 31 1995	Feb 29 1996
Turnover (Rbn)	1,25	1,22	1,45
Operating income (Rm)	71	101	91
Attributable (Rm)	44	73	54
Earnings (c)	72	119	80
Dividends (Rm)	26	36	28

The health care division is swallowing cash, mainly through the expansion of its Medicross clinics. Higher-than-expected operating losses are likely for the full year, though Beningfield says the division is developing to plan and objectives are being met.

Druggists has not revised its full-year forecast of EPS up 15%. If achieved, that puts the share on a forward P/E of about 17,5 — fairly attractive against an historical average P/E of 22 for the sector. But the ride could be bumpy, with Druggists' fortunes closely tied to the development of health care policy, which is far from clear or consistent. *Shaun Harris*

DOCTOR'S ORDERS

FM 5/4/96

Health Minister Nkosazana Zuma is probably better known for her part in the R14m *Sarafina 2* fiasco and imports of Cuban doctors. This week, she managed to attract attention for health industry changes she has implemented.

On Monday, clinics opened to anyone who wants free primary health care. And government announced it would slash medicine prices.

The prohibition on pharmacists and private doctors from placing a mark-up on prices is to be enforced. And if prices still don't drop, the Health Department will limit the number of drugs available.

From July, people will have to pay a dispensing fee, probably R12, and the wholesale prices of the drugs they need. Doctors will still charge consulting fees, which are expected to increase. But licences will be granted to dispensing doctors only if there are no pharmacies near them.

Pharmaceutical Manufacturers' Association president Mike Norris says association members will have to see how price-cutting affects the industry. "If drugs become more affordable and prices more transparent through the distribution chain, we welcome it."

Consultant Ossie Bellingan says the new pricing will affect retail pharmacies. "Many of the smaller operations are already marginal and some can expect bad news," he says. "Others have restructured to meet the challenge."

Bellingan says that with ownership able to change to nonpharmacists, many retail pharmacies may move into chain stores. But many people who cannot pay cash for drugs will still prefer local pharmacies which grant credit.

Government has also shown it is serious about curbing drug price rises by announcing the Health Department will cooperate with the drug squad to overcome the theft of State medicines. To boost this effort, all medicine — whether bought by the State, sold by retailers and dispensing doctors or exported — will be colour coded to identify use or destination.

A police report says it will be possible to enforce the measures under the Act regulating medicine control. ■

(183) ST(BT) 7/4/96

Pik ponders on 12 Mossgas partners

TWELVE companies and consortiums have been identified as possible partners for government in the restructuring of Mossgas, following a decision by Mineral and Energy Affairs Minister Pik Botha to "test the market".

Proposals believed to be on the shortlist include a joint submission by British firm Brown and Root and Germany's Thyssen Rhein-stahl Technik GmbH

Another consortium, made up of South Africa's Sentrachem, AECI and Sasol, is believed to have proposed the conversion of the plant to methanol and, ultimately, to petro-chemical production, a source said

The shortlisted companies were drawn from a list of 84 companies by merchant bankers at Mr Botha's request, following last year's Cabinet decision to look for private sector involvement in the liquid fuel industry

Mr Botha would not confirm the names of companies on the shortlist, but he said interest in Mossgas was "very promising"

By RAY HARTLEY
Political Correspondent

He said government would not necessarily sell the plant outright, but was considering a number of "variations", including partnerships between government and private buyers "Instead of offering us so many billion, they might ask if government would not consider taking 20% in shares," he said

"There is no country in the world where the government has abandoned all interest in the liquid fuels industry. If deregulation means the abandonment by government of its role, then it's not on

"What remains is for us to come to terms with the extent of our involvement," he added

He said there was a prospect that Mossgas would develop into a "long-term, modern, profit making, private sector production plant". If government held shares in such a venture it could recoup much of its original investment

Afex move boosts AECI share price

Edward West

THE sharp climb in AECI's share price in the past three months signalled a potentially positive response to the group's planned R1bn international placing of its shares in holding company Afex, analysts said last week.

The share closed at R27 on Thursday, against its year low of R19,75 on December 4, but still shy of its annual high of R32 set in May last year.

The analysts said the rising price showed confidence among investors after the announcement of an issue of shares in Afex later this year. AECI's 50% holding in Afex was acquired from ICI in exchange for 51% of AECI's explo-

sives business.

AECI MD Mike Smith said last week that the placing was needed to rebuild the group's balance sheet for potential capital expenditure in the next three years.

The Amic-owned group, which has spent R1bn in the past two years, plans capital expenditure of at least R350m in the current financial year. Group debt, however, stood at about R1,5bn for the year to December, with gearing at about 54%.

"There is a two to three year gap between commissioning and realising a good return on these projects. We cannot have a highly geared balance sheet in that situation," Smith said

The plans form part of AECI's

long-running strategy to lessen its dependence on the commodity chemicals cycle, increase exports and become globally competitive.

Substantial restructuring had and would continue to take place to achieve these objectives, Smith said. Restructuring included listing the AECI/Sasol polymer joint venture Polifin, the ICI deal, and reorganising businesses into separate profit centres.

Attributable income rose 37% to R395m in the 1995 financial year on sales up at R6,7bn (R5,5bn). Analysts forecast earnings growth of 10% to 17% this year, but said the low return on assets, estimated at 6% excluding separately listed Polifin and Chemserve, remained a problem

MD 9/4/96

(183)

Oil industry margin 'below agreed level'

BD11/4/96 (183)

Samantha Sharpe

CAPE TOWN — A government-commissioned auditor's report on the oil industry shows its returns are below the level agreed to by regulatory authorities — pointing to a possible hike in the petrol pump prices.

Mineral and energy affairs transport energy director Theunis Burger said yesterday the report, by Deloitte and Touche, had shown that the industry's return on marketing assets, reflected in its wholesale margin, stood at less than 10%.

Government regulates the wholesale margin — a key component of the petrol price — to allow a return on marketing assets on a retrospective basis of a minimum 10% and maximum 20% before interest and tax.

The findings open the way for the industry to lobby government for a margin increase, the first in three years.

Industry sources said the increase would be 2c-3c.

The current wholesale margin contributes about 14,058c to the fuel price.

Burger said the auditor's report had been submitted to de-

partment director-general Gert Venter and to the mineral and energy ministry for further consideration. A final decision was usually taken by Cabinet.

SA Petroleum Industry Association director Colin McClelland said the industry would seek an increase if the return had fallen below 10%.

"This is in line with the existing regulatory environment," he said.

The previous increase had been 0,5c in September 1993.

McClelland was unable to comment on the size of the increase due in terms of the regulatory mechanism, although he said it should be the amount which would have enabled industry to earn a 15% return on marketing assets in 1995.

Transnet economist Mike Schussler said that a wholesale margin rise, coupled with the rand's fall and higher oil prices could see the petrol price rise to more than R2 in the first week of next month.

Engen said any fall below 10% in terms of the oil industry's return on marketing assets should be met with a margin increase if "the rules of the game" were to be applied.

Abbott sets fine example of how to cope in a crisis

David McKay

SA's Abbott Laboratories could rewrite the text book on crisis management if it survives the double misfortune that has befallen the company recently

First, in an attempt to pre-empt a worldwide furor, the company, which develops and distributes biochemical diagnostic test kits, announced that its recently launched AIDS test kit was defective.

In addition to developing a policy of complete transparency, the SA arm of the company, led by GM Urs Wiederkehr, decided to set up a hotline aimed at addressing inquiries from customers, the media and the public

Then, on the eve of the launch of the hotline, the company's telephone system was torpedoed by the theft of its telephone wires — the third time in recent times, says Wiederkehr

Threatened with a public relations gaffe of catastrophic proportions, management applied to the Sandton Sun International Business Centre for the loan of its office amenities.

The business centre obliged, supplying Abbott with two small but adequate suites and a couple of telephone and fax lines.

Abbott had compiled between 250 to 300 comprehensive information packages which were distributed to its entire client base — a mixture of research laboratories and physicians — outlining the problems with the AIDS test kit and a contact phone number

"This contact number had to be changed and company employees, irrespective of position, put all their efforts into contacting each client, telling them of the new hotline telephone number," says Wiederkehr

All the information about sales of the tests has been kept on computer and therefore the company knows how many tests it sold and to which customers

Adding to the sheer time-consuming and logistical difficulty of this, was the timing of the problem "On Easter Saturday, the telephones at our head office seemed to be working. By the next day they were down

"Telkom said the problem was with the switchboard. After a time-consuming struggle, it was established that the telephone wires had been stolen.

"It was now Monday — a public holiday — and therefore never an easy time to get anything done. But we had to get the new hot line centre

established," Wiederkehr says

The Abbott hot line is clearly a rearguard action which, if it had gone wrong, could only have made a bad situation worse. Thousands of people have had to be retested after the test kit proved to be defective in several cases

The faulty test kit does not only include SA Test kits distributed from Abbott Laboratories head office in the US also reached Europe

Wiederkehr is philosophical about the problem "Unfortunately, biochemistry is never an exact science

"The matter has to be put into perspective. There were four cases where the test proved defective out of a possible 2,5-million tests"

However, this is enough to warrant a re-examination of the composition of the test given the strictness with which the company vets its products

"We are sure that the test kit is fundamentally sound. But the way in which it has been put together will have to be reworked," he says. A new version of the kit would be on the market by May.

In the meantime, patients who were tested with the kit would be retested by a different method — with the cost being carried by Abbott

(183) BO 11/4/96

A concurrent issue for management is to make sure the right message gets to the public

Firstly, that the test was never used by any of the blood transfusion services or by any of the life assurance companies, Wiederkehr says

It should also be remembered that the test comprises only 2% of the company's total product base which also includes developing pregnancy, cancer, allergy and fertility testing models

How does the problem rate in terms of management headaches?

"The biochemistry business is always one of risk because it is impossible to achieve the finality of pure chemistry or pure electronics. However, this rates as probably the sternest management test to date," Wiederkehr admits

"But more than 85% of our customers have shown that they are satisfied with the company's products giving its tests the highest ranking of all other tests used. We hope to maintain this position," he says

HOECHST

BROADENING THE PORTFOLIO

- ACTIVITIES Operates businesses in human and animal health care, plastics and derivatives and chemicals
- CONTROL Hoechst AG 75%
- CHAIRMAN R Traub MD S Beuthner
- CAPITAL STRUCTURE 153,3m ords Market capital R889m
- SHARE MARKET Price 580c Yields 1,2% on dividend, 7,1% on earnings, p e ratio, 14,1, cover, 5,8 12-month high, 632c, low, 500c Trading volume 2,4m shares

Year to December 31	*'94	'95
ST debt (Rm)	154,6	134,7
LT debt (Rm)	50,0	47,8
Debt equity ratio	0,51	0,27
Shareholders' interest	0,62	0,72
Int & Leasing cover	2,2	2,9
Return on cap (%)	11,2	11,9
Turnover (Rm)	1 524	1 753
Pre-int profit (Rm)	60,8	81,0
Pre-int margin %	3,8	4,4
Earnings (c)	30	41
Dividends (c)	none	7
Net asset value (c)	228	316

*Pre-listing

Wisely, management spent two years refining group structure and defining its direction before the company was listed in 1995. Chairman Reinhard Traub, then MD, observes that the listing was designed primarily to strengthen Hoechst's balance sheet — which it appears to have done, raising net capital of R69,7m.

Debt has fallen, with total borrowings down 11% to R182,5m. Gearing fell to a more manageable 27%, helped by the increase in shareholders' funds, and cash on hand jumped to R52m (R32,5m).

But the programme of noncore divestments and acquisitions in key areas has served a longer-term goal: improved performance in delivering products to key markets — health care, clothing, housing and food.



Reinhard Traub

(183) FM 12/4/96

Results for the year to December 1995 show a 15% increase in turnover compared with the pro forma figures for 1994, and the group operating margin lifted to 5% (4%). Attributable income (including equity accounted profits from joint-venture Safripol) of R60,6m comfortably beat the forecast R57,7m.

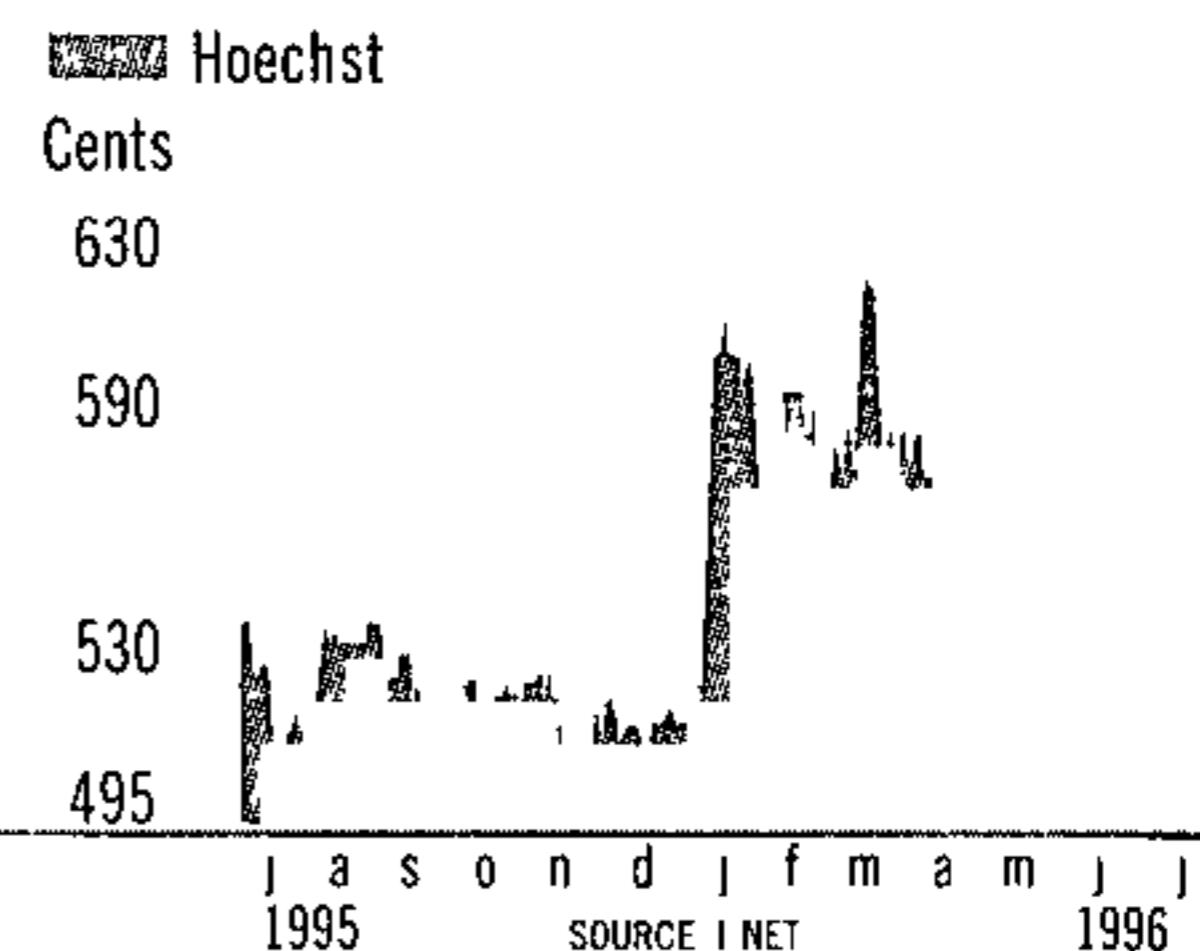
Of more concern is the finance charges, which slice R40,2m (46%) off stated operating profit.

This comprises a net interest and finance lease charge of R28m and foreign exchange differences of R12,3m. Finance director Edmund Wagner says the foreign exchange costs result from overseas borrowings, a legacy of Hoechst's foreign ownership. He expects this practice to continue, as the rates are lower than Hoechst can obtain locally.

Operations are in three main areas — pharmaceuticals and veterinary products, polymers and derivatives and chemicals.

The company's roots are in the polymer industry, and this division forms the backbone of the group, contributing 71% of turnover and 69% of net operating income in 1995. Such a large exposure to cyclical commodity chemicals may leave the group vulnerable when the market turns down — though the division boosted its operating income 70% in 1995, helped by investments in new plant and technology.

The recovery in world plastics prices augurs well for 1996. The weak rand will enhance returns from exports into the international Hoechst market network, which Traub expects to be "significant". As sole SA producer of polyester staple fibres, used in a range of industrial and domestic fabrics, Hoechst is in a strong position to satisfy growing demand — though declining world prices for fibres may



squeeze margins in 1996

Health care contributes 16% of turnover and 19% of income. It's an important and growing part of the business. Humans benefit from pharmaceuticals and health-care products from Hoechst-Noristan, while Ag-Vet — with a 20% market share — caters for the animal kingdom.

Net income fell in 1995, due largely to the poor performance in Ag-Vet, which suffered from the drought. Critical to the success of a drug business is research into new formulas, and the global expertise of Hoechst is a solid advantage to its SA subsidiary.

The planned joint venture between Hoechst-Noristan and the SA subsidiary of French company Roussel Uclaf should add synergies and competitive muscle.

The chemical division, which contributed 13% of turnover and 12% of operating income, concentrates on industrial and speciality chemicals. Industrial chemicals benefited from higher prices and strong demand until the last quarter, when the market softened. But the outlook for speciality chemicals is bright.

The share price, which hovered below 540c throughout 1995, shot up to 620c in January and peaked at 632c before subsiding to 580c.

An analyst says the market related the share on two counts. The investment in Noristan and its diverse business portfolio is turning the focus from "highly risky commodity chemicals". Good prospects, particularly in the expanding health-care segment, also helped.

The share stands at an 84% premium to

Zuma tours Germany

Kathryn Strachan

Health Minister Nkosazana Zuma left yesterday for Germany where she will discuss recruiting German doctors to serve in SA's neglected areas. **BD 15/4/96**

The discussions with the German health department are part of the wider recruitment drive to get foreign doctors to work in remote areas in SA in terms of intergovernmental agreements. The recruitment drive of foreign doctors began with the import of 100 Cuban doctors who arrived in SA last month.

However, there are still nearly 2 000 posts which need to be filled over the next two years in rural parts of the country.

Department sources said it was also looking into recruiting doctors from Egypt.

During the week-long visit Zuma and her delegation will also investigate how Germany has approached health issues such as its health insurance system and also how the private and public health sectors interact.

Truth commission hearings begin today

Wyndham Hartley

CAPE TOWN — The first formal hearings of the truth commission get under way today in spite of a Constitutional Court challenge which could end its existence and appeals from families of slain activists to halt its proceedings until the matter has been decided.

While the Constitutional Court decided on Friday that it could not accede to an application from the Biko, Mxenge and Ribeiro families to put the hearings on hold, the challenge to the constitutionality of the commission will be decided in a few weeks.

The truth commission itself has also turned down a request from the families to delay hearings until the application has been decided and this has again raised the possibility of an urgent interdict application being lodged in the Grahamstown Supreme Court to try and halt today's hearings in East London.

The respondents in the challenge to the commission's constitutionality, President Nelson Mandela, Justice Minister Dullah Omar and the commission itself, now have time to formally announce their intention to defend the action and to supply heads of argument against the contention that the commission robs the victims of their constitutional right to legal redress.

Of the more than 200 cases before

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the commission's Eastern Cape office, 25 to 30 will testify during the next four days on human rights abuses that include deaths in detention, disappearances, abductions and violence resulting from party political rivalry.

Names of alleged perpetrators of these abuses and crimes are likely to be mentioned over the four days and some "well-known" people are expected to be named.

According to the commission they have been informed of the possibility and given an opportunity to respond.

After the Eastern Cape hearings the truth commission will hold hearings in Gauteng, Western Cape and KwaZulu-Natal but the target dates for these hearings could be influenced by the lessons which will undoubtedly be learnt over the next four days. For example, no one knows how long individuals will require and, if perpetrators are named, how long it will take for them to be allowed a chance to put their side of the story.

The Constitutional Court challenge is the climax of weeks of controversy which includes the commission's first incident of a dishonest witness claiming to have knowledge of human rights abuses, a brush with the justice department over the speed with which a witness protection plan was being implemented and the choice of its staff being slammed as overtly political.

Chemical workers to stage stayaway

Renee Grawitzky

THE chemical industry faces a national stayaway tomorrow when 40 000 Chemical Workers' Industrial Union members march in an attempt to break the deadlock with employers over the powers of the chemical bargaining council.

Six unions party to discussions on the establishment of a bargaining council are demanding overriding powers for the central

BD 15/4/96 (183)
structure while chemical employers supported the view that the separate subchambers should have overriding powers. Differences also existed over the number of sectoral subchambers.

Marches will take place in Pretoria, Johannesburg, Port Elizabeth, East London, King Williams Town, Cape Town and Durban as part of the union's programme of action adopted at its national bargaining conference in March.

Chemical employer co-ordinator Fame Ernest said that overtime bans had begun in some companies while a large number of employers had held discussions with union representatives at plant level to implement plans to lessen the impact of tomorrow's planned action on production.

The parties have agreed to meet later this week to discuss interim arrangements for wage negotiations this year.

Lock-out clause: union to march

(183)

Sowetan 15/4/96

By Sowetan Reporter

THE Chemical Industrial Workers Union is to hold marches across the country in protest against the inclusion of the lock-out clause in the country's final Constitution.

The marches are in line with the union's programme of action adopted by its national bargaining conference last month.

Demand

The action by the Congress of South African Trade Unions affiliate is aimed at forcing employers to support workers' demand that the clause be expunged from the constitution.

However, employers want the lock-out clause to be included as a means of maintaining production and preventing damage to property during strikes.

Hundreds of members of the union's Witwatersrand branch will march from the Library Gardens in Johannesburg to Total's headquarters in Braamfontein, where a memorandum containing their demands will be handed to management.

Union general secretary Mr Muzi Buthelezi said the union also demanded the immediate reinstatement of four of their colleagues, who were dismissed at an East London factory and the dropping of criminal charges against two others.

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Workers to protest until demands are met

(183) (184) Star 16/4/96
By JUSTICE MALALA
Labour Reporter

Expected marches today by over 40 000 chemical workers to press home demands for the establishment of national central bargaining structures are just the beginning of a broader mass action campaign

The Chemical Workers' Industrial Union, which has spearheaded the campaign since early last year, vowed yesterday its members would not work overtime and would embark on other nationwide actions until the issue had been resolved.

Employers have slammed today's marches, to take place in Johannesburg and other cities across the country, as "irresponsible", saying a government-brokered meeting would take place as soon as separate talks with the two parties had been concluded

Employer representative Fanie Ernst said yes-

terday that although other unions in the industry were also at loggerheads with employers over the structure of the envisaged central bargaining structure, none had yet decided on mass action as there were still avenues to explore to try to resolve the differences

The unions are demanding that a national bargaining council be set up with powers to overrule any decision taken by four sectoral bargaining chambers servicing the different employers.

But Ernst said the unique nature of the industry, which encompassed petrol, medical, explosives, soap and other manufacturers, could not afford to have sectoral chambers which could be overruled by the national body

Further, employers also needed to see the industry divided into 13 sectors instead of four as the unions demanded

Pick 'n Pay targets petrol sector

Jacqueline Zaina

PICK 'n Pay planned to open a new brand of convenience retail stores within the next few months, giving it a platform to enter the petrol retail market, Group Enterprises MD Gareth Ackerman said yesterday.

The move follows the retail group's failed attempt to tie up with Cape Town-based franchise operation 7/Eleven towards the end of last year.

Pick 'n Pay had planned to open 20 late trading convenience stores in conjunction with 7/Eleven in Gauteng this year, but negotiations broke down when 7/Eleven management decided instead to focus on the Cape region, which the group viewed as a significant growth market.

Ackerman said the group had gone ahead with its plans to develop a store format which would facilitate its entry into the petrol sector.

The new stores, which would operate on a franchise basis, would not trade under the Pick 'n Pay brand

name. However, the new trading name could not be disclosed at this stage.

The emphasis would be on convenience and cost-containment in terms of which the stores would carry a limited range of merchandise and overheads would be minimised.

Ackerman said that in many overseas countries, including the UK, supermarkets were the largest petrol retailers and earned a substantial portion of their profit from fuel.

There had been silence from government on the issue of deregulation of the petrol price, he said. Pick 'n Pay would actively pursue this matter and was considering a constitutional challenge.

The group had made a submission to the Harmful Business Practices Committee following the loss of its retail site at the Gallo Manor BP station a year ago, and a response was expected by the end of the month.

Ackerman said BP's franchise agreements were fundamentally unfair as they afforded the franchisee no compensation for goodwill.

BD 17/4/96

(183)



Thousands of Chemical Workers' Industrial Union members marched from Library Gardens in Johannesburg yesterday to Total's Braamfontein offices to hand to management a memorandum on the failure to reach agreement on centralised bargaining. Picture ROBERT BOTHA

Workers on the march

(183) (152)
Renee Grawitzky

BD 7/4/96

THOUSANDS of chemical workers country-wide marched yesterday, calling for employers to agree to the formation of a chemical industry national bargaining council which would have powers to override sectoral chambers.

A memorandum was presented to labour department representatives, and the union called on employers to respect the right of marching workers to protest.

Chemical Workers' Industrial Union general secretary Muzi Buthelezi said centralised bargaining structures would be in place by December this year.

Buthelezi indicated that a meeting would take place between unions, employers and the labour department on April 22 to discuss the ongoing dispute.

A separate memorandum — in protest against the failure of the constitution-drafting process to adequately address clauses relating to the right to strike and lock out, and property rights — was also presented.

Thousands of workers marched together on Parliament to present this memorandum to Constitutional Assembly chairman Cyril Ramaphosa.

Union president Abraham Agulhas said his organisation completely rejected the efforts to include the right to lock out in the constitution.

Marching chemical workers warn of further mass action

BY JUSTICE MALALA
Labour Reporter

The Chemical Workers' Industrial Union has threatened further mass action in the wake of its nationwide marches yesterday to press home its demands.

In memoranda yesterday handed to employers and Government representatives all over the country - including Constitutional Assembly chairperson Cyril Ramaphosa in Cape Town - the union warned that if employers did not accede to demands for the establishment of an all-powerful national bargaining chamber, further action would be taken.

Thousands of union members marched on the Union Buildings, Parliament and provincial legislatures in support of the union's long-standing demand for a national, centralised bargaining forum for the whole industry.

The union yesterday also demanded that the right of employers to lock out workers during strikes or other industrial action, not be included in the final constitution.

Spokesman Nelson Mthombeni said yesterday if employers did not respond positively to the memoranda handed to them, the union would devise further action.

"We are prepared to meet employers whenever they wish but if

they do not respond positively, we will continue to strengthen the campaign," he said.

Already, the union's members are refusing to work overtime. They also plan to organise marches and demonstrations when the dispute over centralised bargaining is brought to the conciliation board.

All six recognised unions in the chemical industry are de-

Unions want centralised bargaining chamber

manding a central bargaining structure.

Employer representative Fanie Ernst has said that a meeting to try to resolve the dispute, brokered by Government representatives, may be in the offing and the decision to start mass action by the union was "irresponsible".

Sapa reports that the union's president, Abraham Agulhas, said in Cape Town yesterday it was a fundamental misconception that employers' right to lock out balanced workers' right to strike.

Workers had only their labour to sell, whereas employers owned and controlled the means of production, he said.

Drive to increase use of generic drugs (183) AALG 18/4/96

A sustained effort is being made by the giant medical scheme administrators AMA to slash the bill for prescription drugs - currently R300-million a year for AMA-administered medical schemes

Medicines make up about 30% of the costs of schemes, but this is expected to fall as products such as Maximum Medical Aid Pricing (MMAP) take effect

MMAP is a product aimed at increasing the use of generics - which are lower-priced - in place of prescription drugs

The drug use evaluation conducted on two AMA-administered schemes, with a membership of more than 20 000, revealed that the average cost of generics for members was R95 a month, compared

to R130 a month for patent drugs

This indicates the potential cost advantages in cases where prescription medicines have generic equivalents

MMAP applies only where the generic equivalent has been approved by the Pharmaceutical Association of SA

In these cases a survey is conducted of the prices of the approved generics. A price level is then set for each preparation, which is known as the MMAP, and that is the maximum the scheme will pay for that prescription

The cost savings of using generics translate into a saving of 30% on medicine bills, which is as much as R90-million a year for AMA schemes alone

Sasol and Omnia call off merger talks

(183) ET (BR) 18/4/96

BY JAMES LAMONT

Johannesburg — Sasol and Omnia Holdings said yesterday they had called off talks on a possible merger of their fertiliser and explosives interests.

"Talks were terminated because the participants could not reach an agreement," said Alfonso Niemand, a spokesman for Sasol.

He would not elaborate on the disagreement or say if negotiations would be resumed.

Plans for the merger were announced last September. It was hoped the deal would raise Omnia's fortunes.

Sasol wanted to push its fertiliser division into Omhold to create a R900 million-a-year business. The two explosives operations would be combined in a new jointly owned

R550 million-a-year company.

Omnia said that the deal would be financed mainly by shares, but there would also be a cash element.

The decision to merge was based on a need to rationalise to adapt to competitive market conditions. AECI had similarly reshaped its explosives division with ICI.

Pierre Brookes, the chairman of the Competition Board, said the board had given its approval as long as they had agreed to conditions on possible abuses of its market dominant position.

However, he said it was common for ventures "to try to get the Competition Board's approval in principle and then for talks subsequently to break down".

For Omnia the breakdown in negotiations comes as a blow. Losses in the six months to last June

and a heavy debt burden had led to market disenchantment and a slide in the share price.

But the possibility of a merger with Sasol revitalised Omnia's shares on the JSE and forecasts of bumper crops for this year held promise for their fertiliser division.

Omnia improved net income by 18 percent to R38,2 million in the past year to December 31 compared with 1994. Turnover rose 22 percent to R384,2 million and operating income improved by a similar percentage to R69,9 million.

Neville Crosse, the Omnia managing director, said last month that results of talks with Sasol would be announced next month or in June.

Yesterday, Omnia's share price fell 60c to R12,50.

Crosse could not be contacted for comment.

Strike looms over chemical industry

(183) MTG 19-25/4/96

Shadley Nash

A NATIONAL strike is looming in the chemical industry, should demands by workers for a centralised bargaining council not be met.

This warning was issued on Wednesday by Wehle Noling, vice-president of the Chemical Workers and Industrial Union (CWIU), at a mass protest march in Port Elizabeth.

The union also used the opportunity to warn the government that two crucial and controversial issues — property rights and employer rights to lock out striking workers — should not be included in the final Constitution.

“We want Cyril [Ramaphosa] to know that this should not be included in the final Constitution,” Noling told the workers.

In a memorandum to chemical industry employers, the union called for a central bargaining council with overriding powers over all industrial sectors. It warned that if a conciliation board did not resolve the issue a national strike was likely.

“Plant-based talks don’t work. They do not address the imbalances in the industry,” said Noling.

He said the restructuring and transformation of the country’s chemical industry should be discussed in a centralised forum so that there would be uniformity in the industry.

Noling said the union was sensitive to the need for industrial stability, but stressed that stability should not be attained “at the expense of workers”. — *Ecn*

Fuel companies resolve Natref dispute

Edward West

SASOL and Total SA have resolved a dispute that ended talks of a merger between the diversified fuel-from-coal chemical group and local petrochemical group Engen.

Sasol said yesterday it had resolved its difference with Total over the transfer by Sasol Mining of its shares in the Natref refinery to subsidiary Sasol Oil

The matter had been resolved amicably and arbitration proceedings initiated by Total at the International Court of Arbitration of the International Chamber of Commerce in London had been terminated

In August last year Total objected to Sasol Mining's transfer of its 64% holding in Natref to Sasol Oil during a re-

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Continued on Page 2

Sasol

(183)
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Continued from Page 1

structuring of Sasol. The restructuring was seen as a precursor to Sasol playing a greater role in retailing fuel, possibly through a merger with Engen.

Total SA alleged the transfer activated a pre-emptive right in relation to the Natref shares

Total holds 36% of Natref, which refines 85 000 barrels of crude oil a day at Sasolburg.

Sasol remained tight-lipped yesterday on the terms of the agreement reached and a spokesman from Total

SA could not be reached. However, speculation was that the discussions between the two companies centred on Sasol offering Total an undertaking that any merger with Engen would not have a negative effect on the French-owned company's SA market share.

Reuter reports Sasol MD Paul Kruger cited the dispute as a reason for ending talks last year with Engen on a possible alliance, which analysts said could have allowed Sasol to enter the retail fuel market through Engen's national service station network.

An Engen spokesman said there had been no contact between Engen and Sasol on the issue since the discussions stopped in October

Chemical management and unions 'near agreement'

Renee Grawitzky

BD 23/4/96
THE continuing dispute over the establishment of a central bargaining forum in the chemical industry could be resolved shortly, after reports that a meeting between unions and management had made significant progress yesterday.

The parties indicated last night that at the meeting — facilitated by the labour department — positive progress had been made in an attempt to resolve the deadlock over the powers of the central structure and the

(183)
number of sectoral subchambers.

It is understood that a broad framework document has been agreed on. This must now be referred to the parties' constituencies for discussion and approval.

The document deals with formulation of a national bargaining council with sectoral chambers. It maps out a process for reaching agreement on the powers of those chambers in relation to the national structure, and on which issues should be discussed at the different levels.

Petrol price 'will jump at least 13c'

Edward West

THE Central Energy Fund has warned that petrol prices will jump at least 13c/l next week, following high international oil prices and the rand's slump

The fund — which adjusts the pump price each month according to movements in the rand price of a basket of international refined products prices — said yesterday 10c of the rise was attributable to international prices. The rand's fall would add another 3c.

The oil industry has asked government to add another 3c following a government-commissioned report which backed their calls for an increase in their wholesale margin.

Economists said the 13c price rise, which will follow April's 8c/l jump to 192c/l for 93 octane fuel in Gauteng, could add another 0,35% to the producer price index, which currently stands at 6,3%, and 0,23% to the consumer price index, which stands at 6,5%.

The fund said the under-recovery on its pricing formula averaged 12,88c/l from March 26 to April 22 but had climbed to 16,9c/l by yesterday. A spokesman said that if

BD 24/4/96 (183)
the under-recovery persisted at such levels for the rest of the month, a rise above 13c was likely. Transnet economist Mike Schussler said price falls could be expected by July, in line with sliding crude oil prices

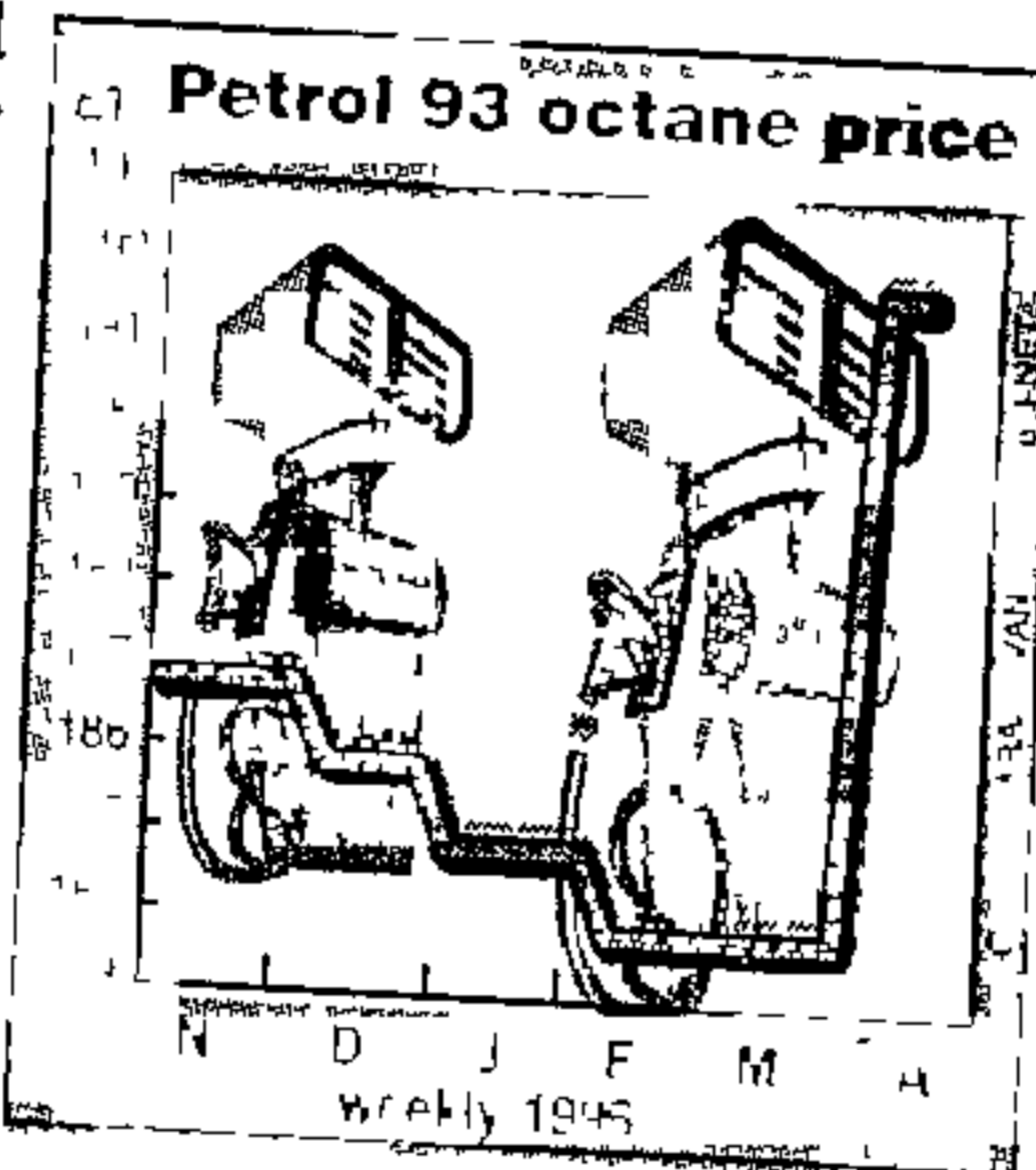
World crude prices were falling because the northern hemisphere was moving out of winter, and refined product prices were likely to follow suit. The rand should also stabilise in the months ahead

Econometrix economist Tony Twine said that the price increase was "chicken feed", compared with the fuel price crises SA had weathered in the past.

The Central Statistical Services released figures yesterday showing unleaded fuel — subsidised by government by 4c/l — had captured 6,7% of the market in February, its launch month.

But the SA Petroleum Industry Association said, however, a fuller picture of consumer demand would emerge only with April's figures.

Unleaded fuel had not been available across SA by the end of February and the CSS figures only reflected sales to fill retail service station tanks during the change to unleaded fuel



Cabinet to be asked to OK probe into AECI sulphur fire

STAFF WRITER

(183) 
CT 24/4/96

A COMMISSION of inquiry into the sulphur fire at the AECI plant in Somerset West in December — which left two men dead and forced the evacuation of thousands of Macassar residents — is to be recommended to the cabinet.

This was announced yesterday after the Deputy Minister of Environment Affairs, Mr Bantu Holomisa, agreed to the request following a meeting with the provincial Environment MEC Mr Kobus Meiring, representatives of the Macassar Crisis Committee and AECI.

In the recommendation for the inquiry, which has been welcomed by the Macassar Crisis Committee, it has been

proposed that the origins and the establishment of the sulphur stockpile at the site be investigated.

It was also suggested that the events leading up to and the cause of the fire be determined, as well as the adequacy of the emergency response plan.

Other proposals are that the impact of the fire on the surrounding communities and the environment be determined, as well as the adequacy of legislation and regulations governing the storage and stockpiling of hazardous substances and the response required in an emergency.

The commission will also seek to make recommendations regarding community awareness and emergency response in areas surrounding hazardous substances

Unleaded petrol kicks off with 6,7% share

CT (BA) 24/4/96 (183)

By CHRISTO VOLSCHENK

Cape Town—In the first month that unleaded petrol was introduced to South African motorists, it grabbed 6,7 percent of the market, the Central Statistical Service said yesterday

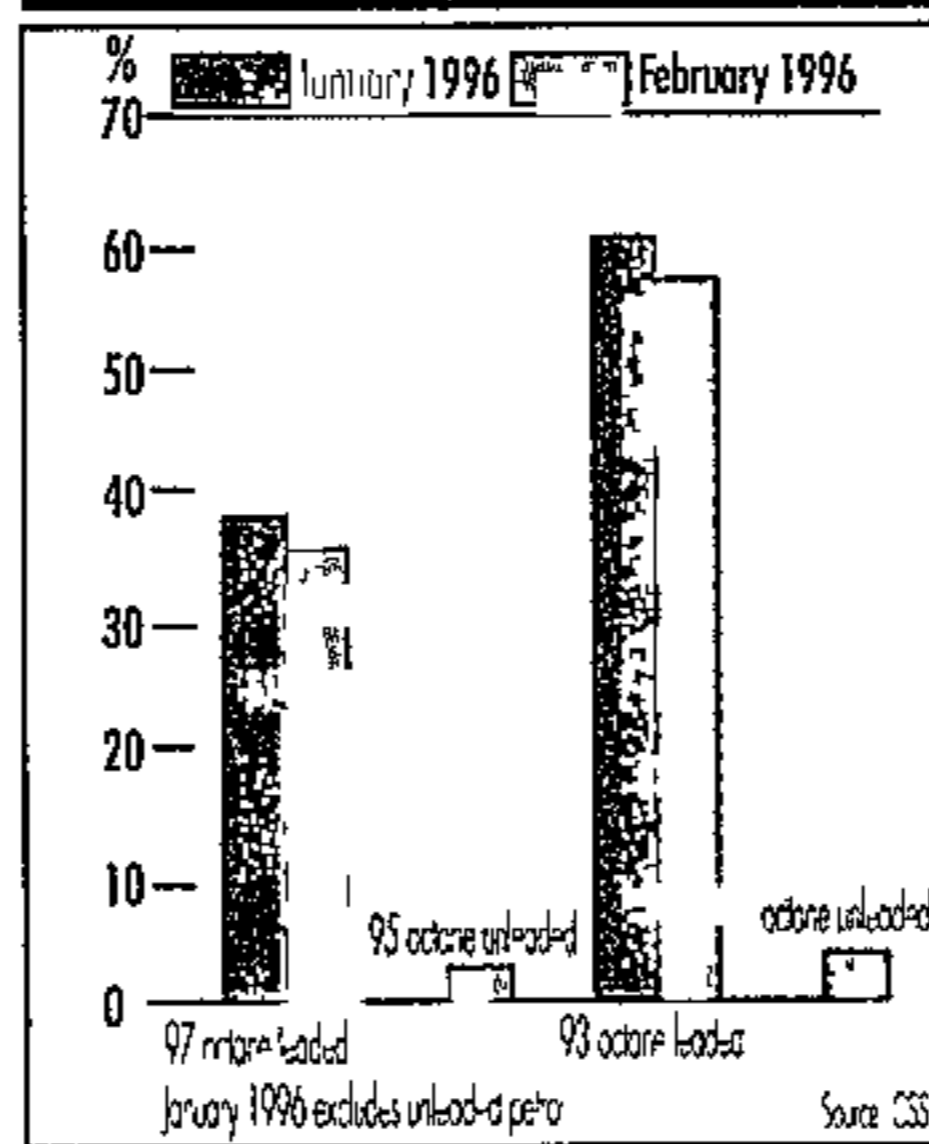
Industry experts said that demand was probably even higher now.

The petrol was introduced in February at 4c a litre less than leaded 97 octane petrol

According to the service, 59 726kl of unleaded petrol were sold that month

Richard Green, an expert on unleaded petrol at Shell, said the statistical service's sales figures for February constituted an inaccurate reflection of unleaded petrol's true popularity.

Petrol market share



"Gauteng is the biggest market for petrol and there unleaded was only available halfway through February

"The industry may only have supplied unleaded to rural stations

in March or April

"The April figure of the CSS will thus be the first one to truly show how popular unleaded is with the motorists

"We are busy with surveys at our stations to determine the popularity and market share of unleaded petrol"

The petroleum industry undertook to make unleaded petrol available to every service station in South Africa by the end of this month

Wholesale petrol sales were 9,6 percent higher at 892 568kl in February than in the same month last year

About 94 percent of the petrol was purchased by service stations. The remaining 6 percent was sold to the government, businesses and farmers

DISK01 1 - 6
 DISK02 7
 DISK03 11
 DISK04 56
 DISK05 70
 DISK06
 DISK07

Adcock Ingram's sales restrained

20 25/4/96 (183)

Jacqueline Zaina

ADCOCK Ingram lifted attributable income 20% to R70,1m in the six months to March against a background of lower inflation, pressure on medicine prices and a slowdown in consumer spending.

Headline share earnings increased 14% to 47,2c and an interim dividend of 12,6c (11,1c) was declared. Turnover for the pharmaceutical group edged up 5% to R591,4m.

CE Don Bodley said sales growth had been knocked by lower sales in the wholesale division after the discount structure had been revised to protect margins. Sales had also been restrained by a slowdown in consumer spending.

Sales from the manufacturing divisions grew 9%. Operating margins widened to 15,8% from 14,9%, helped by an improved sales mix and good growth in the pharmaceuticals division.

This boosted operating income 9% to R92,3m, despite higher expenditure on research and development, leaving pre-tax profit — including abnormal profit of R3,6m from a property sale — 13% higher at R103,4m. A lower effective tax rate resulted in a tax bill

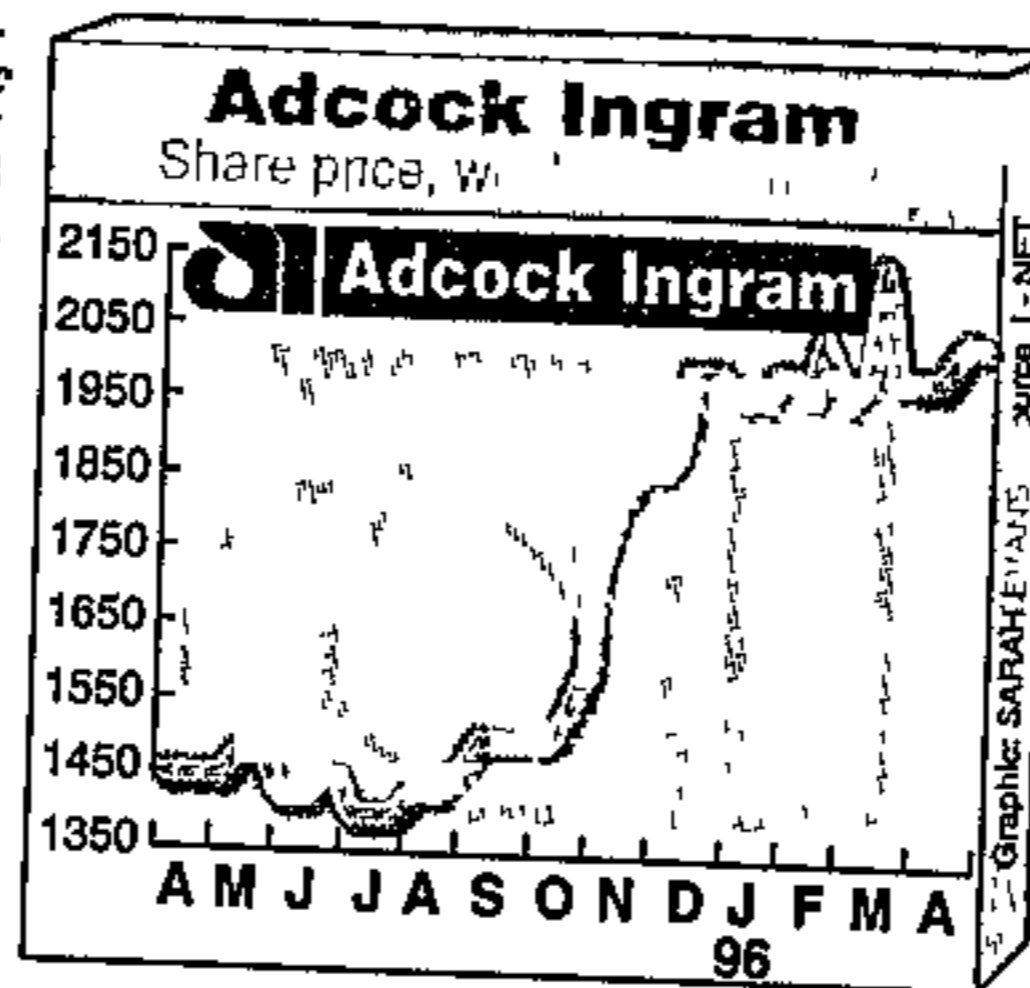
of R33,4m (R33,6m). Bodley said improved working capital management had resulted in strong cash generation of R94,3m. Lower tax payments of R15,4m (R51,7m) contributed to net cash inflow of R22,7m, boosting the group's coffers to R154,4m.

He said while the international division was still in an investment phase, sales in new and existing markets resulted in 55% growth in the group's SA exports. The performance of Dat-labs, based in Zimbabwe, was diluted by fluctuations in the exchange rate.

The pharmaceuticals division achieved turnover growth of 20% to R95m, boosted by market share gains and new products.

Lower sales volumes in the institutional sector due to the reallocation of regional budgets restrained sales growth in the critical care division to 6%.

Consumer healthcare achieved growth of 8%, despite depressed consumer demand, a trend experienced throughout the retail sector. "However, new products introduced at the beginning of April, combined with the performance of our winter products, should provide higher growth at the year-end," Bodley said.



SA steel fails to meet specifications, says Siemens

Train builder UWC loses R500m Taiwanese deal

BY JAMES LAMONT

Johannesburg — Union Carriage and Wagon Company (UCW), the South African locomotive and carriage manufacturer, lost a R500 million contract to build trains for Taipei's rapid-transit subway system because it was unable to meet the specifications for the stainless steel required by low weight train sets, Siemens, the German electronic group, said yesterday.

Siemens had sub-contracted construction of the trains to UCW, but had recently withdrawn the order and placed it with an Austrian subsidiary of its own — SGP Verkehrstechnik.

Ernie Thompson, a spokesman for Siemens, said its client, the Taiwanese rapid transport systems department, was not satisfied with the stainless steel UCW planned to use.

He claimed the Taiwanese had wanted a lighter steel.

"They have not hit the quality level required," Thompson said in explanation of why Siemens had cancelled a R500 million contract with UCW.

Siemens had questioned UCW's workmanship and its ability to complete work on 130 trains to specification within a required period.

The German group has demanded repayment of \$55,6 million worth of guarantees on a downpayment and a



Bob Bingham, left, the managing director of Union Carriage and Wagon Company, and I-Cheng Loh, Taipei's ambassador to Pretoria

PHOTO JOHN WOODROOF

performance bond.

UCW has said it complied with its contractual obligations and intends to challenge Siemens' allegations in court under the rules of the International Chamber of Commerce.

Siemens said that the technical drawings UCW was obliged to use were defective.

Terry Davidson, the managing director of UCW's parent company, Standard Engineering, declined to comment beyond the notice issued to shareholders.

He said questions over UCW's ability to produce would be answered in arbitration.

Meanwhile, Columbus Steel, which supplied UCW with narrow gauge stainless steel, was not

aware of any problems concerning the lightness of their product.

"As far as we are concerned we have met the specifications given to us by UCW," said John Rowe, Columbus' marketing manager.

The Siemens dispute comes at an unfortunate moment for Columbus, which is heading a drive to place South Africa among the premier suppliers of stainless steel worldwide.

At the end of last year, thousands of tons of stainless steel from Columbus' newly commissioned R3,5 billion plant in Middelburg was rejected by European clients because the quality was not up to standard.

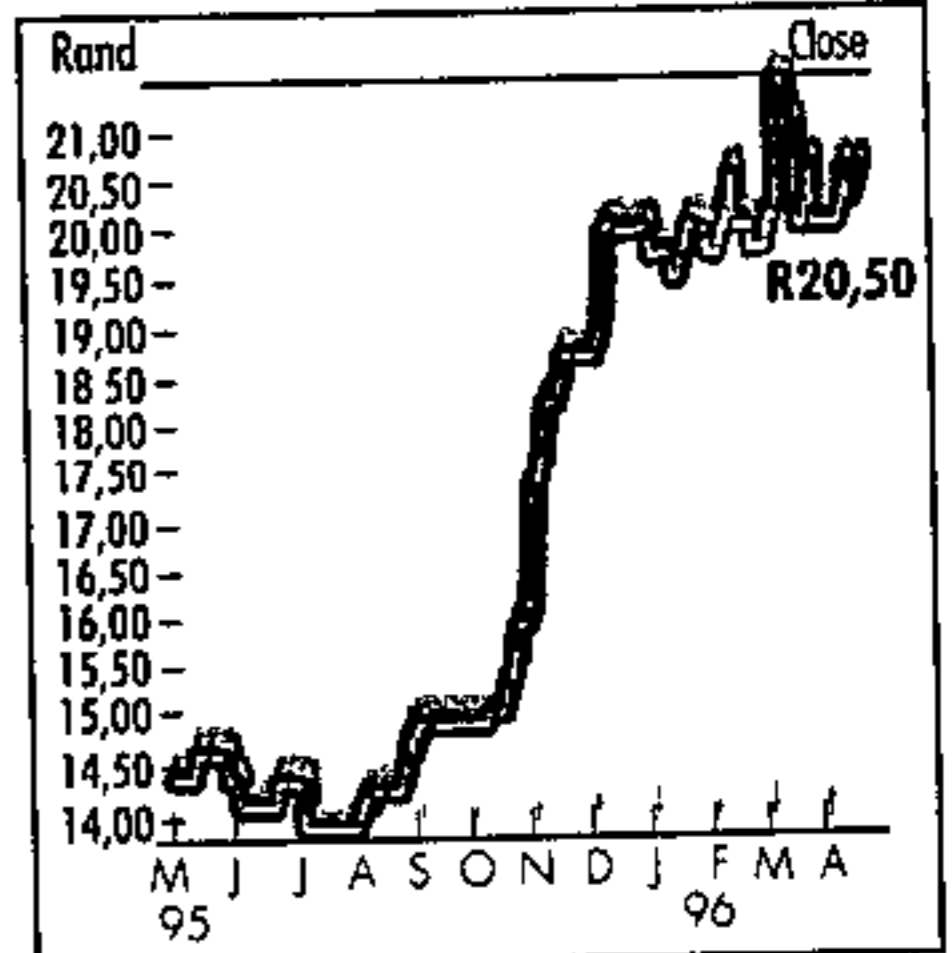
The cancellation of the contract has led to speculation over what effect it might have on the UCW's bottom line.

Last month, UCW trumpeted an export order book to South East Asian markets to the tune of R1,4 billion, including a R470 million contract to produce mainline intercity locomotives for the Taiwan Railway Administration, and a R240 million contract to develop a commuter train for Malaysia.

I-Cheng Loh, Taiwan's ambassador to Pretoria, said the dealings with Siemens over the rapid transit system had "nothing to do with central government or with uncertainty over South Africa's relations with Beijing".

"I am as puzzled as everyone else," he said.

Adcock share price



Adcock lifts six-month earnings

(183) (BR) CT 25/4/96
BY JOHN SPIRA

Johannesburg — The pharmaceutical group Adcock Ingram increased its headline earnings, those excluding items of a capital nature, by 14 percent in the six months to March. The interim dividend is up 14 percent to 12,6c.

Sales, 5 percent higher at R591,4 million, were affected by reduced turnover in the wholesale division after a revised discount structure was introduced to protect margins. A slowdown in consumer spending also affected sales.

Turnover in the manufacturing divisions rose 9 percent.

Improved operating margins boosted profit before interest and tax by 9 percent to R92,3 million, despite heightened spending on research and development.

A lower effective tax rate and higher interest earned helped to increase headline earnings from 41,5c to 47,2c a share. Improved management of working capital had resulted in strong cash generation of R94 million, boosting cash available to R154 million, it said.

We'll be paying through the nozzle

(183)

Nov 25/4/96

Angry taxi drivers threaten strike as fuel price poised to rise to over R2 per litre

By NIKKI WHITFIELD

Taxi associations and drivers are threatening nationwide strikes to protest against the 13c-16c petrol price increase, expected to be announced tomorrow and to take effect in May. The increase will push the price to more than R2 a litre.

The threatened strike would affect millions of commuters and cause traffic chaos if taxi drivers also decide to blockade roads and streets, as they have in the past.

Jacob Ledwaba of the Letihabile Taxi Association, called on all taxi drivers across the country to stand together in protest against the increase which would force taxi owners to increase their fares to people, many of whom "do not earn a living wage".

And, as motorists brace themselves for tomorrow's announcement on the increase, economists have predicted a ripple effect that will further dent the economy.

While petrol is expected to dip back below the R2 mark in July, spin-off increases, which affect the cost of hundreds of petrol-dependent products, from soap powder to paint, are unlikely to fall off.

Filling-station forecourts are expected to charge between R2,05 and R2,06 a litre from May 1.

Central Energy Fund figures show the under-recovery on the fuel price from March 26 to April 22 was 12,88c/litre, which could result in a rise of 13-14c/litre.

But the May price hike could include a further 2c/litre if oil companies are successful in pushing through a rise in the whole-

index of 6,5%.

Ledwaba said taxi drivers were fed-up with the Government for promising subsidies and grants and not having delivered.

"The Government told us they would help us, but nothing has happened yet. It's very unfair. While they are all busy talking, something like this happens."

Prices at South African petrol pumps take their cue from several factors, such as fluctuations in the economy, higher oil prices and northern hemisphere seasons.

"When it is winter, the government in the northern hemisphere..."

...increase in the demand for fuel, diesel, paraffin and petrol," said Transnet economist Mike Schussler. "This last winter was particularly bad in all countries, not just in isolated spots."

"Oil stocks were depleted because of the increase in demand, and also because the world was waiting for Iraq and the UN to sort themselves out."

"Now that there is an agreement with Iraq, stocks are being replenished, and the northern hemisphere summer has started, we will probably see Brent oil prices coming off the highs we've had of \$22 a barrel to closer to \$18."

The fuel tax of 69c South Africans pay on every litre of fuel might sound high but, at around 37% of the total price, was low compared with the tax charged in other countries, some of which took 80%, Schussler added.

"But, of course, it's different there because public transport is so much better."

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Angry taxi drivers threaten strike as fuel price poised to rise to over R2 per litre

By Nikki Whitfield

Taxi associations and drivers are threatening nationwide strikes to protest against the 13c-16c petrol price increase, expected to be announced tomorrow and to take effect in May. The increase will push the price to more than R2 a litre.

The threatened strike would affect millions of commuters and cause traffic chaos if taxi drivers also decide to blockade roads and streets, as they have in the past.

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But the May price hike could include a further 2c/litre if oil companies are successful in pushing through a rise in the wholesale margin before tomorrow.

Petrol jumped 8c/litre at the beginning of April to R1,92/litre for 93-octane fuel. Economists have predicted that a 13c/litre hike could add another 0,35% to the producer price index of 6,3% and 0,23% to the consumer price

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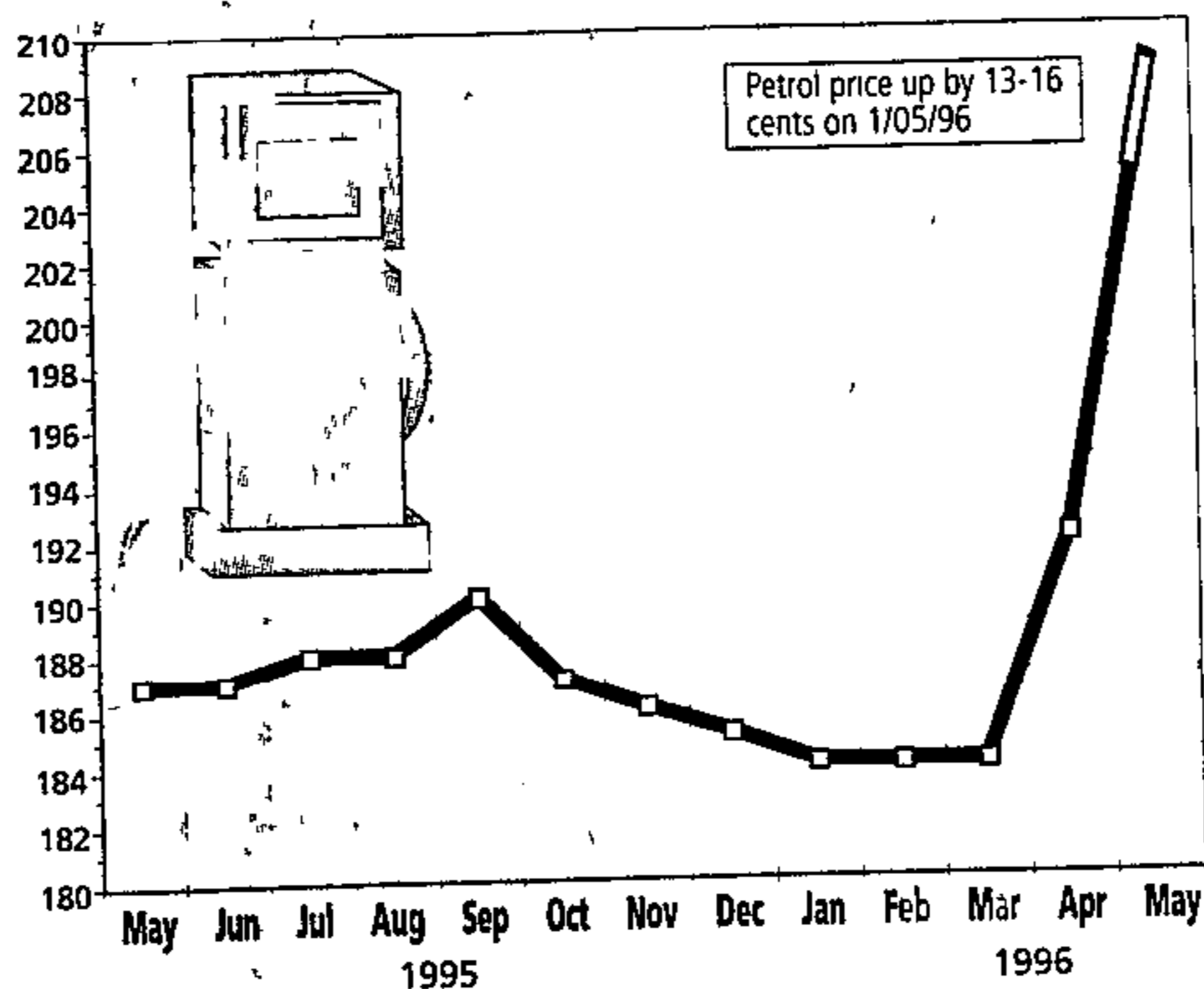
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"But, of course, it's different there because public transport is so much better."

"Here, there is no bus from, say, Kempton Park to the Randburg Waterfront. We are far more reliant on fuel in South Africa. And we earn less."

And while fuel prices could be down by July, it was unlikely other prices would follow suit.



We could end up broke, says minibus driver

MOTLHALEFI MAHLABE

By MANDLA MTHEMBU

Nomathemba Xaba is a taxi driver who is stunned by the prospect that she might not be able to feed her family because of the expected increase in petrol prices

Xaba's worry is that she could end up working for less reward or without any earnings to take home

She works from 6am to 7pm after running about seven loads of passengers from Vosloorus into Johannesburg

A single round trip covers 80km and, Xaba says: "After filling up with petrol for R150, I am left with a daily taking of about R200"

And out of that she must still



Running on empty ... taxi drivers Nomathemba Xaba and Stanley Shongwe.

pay other running expenses

"It will be difficult to increase the R3 fares as commuters could leave the taxis for buses," says the mother of two

She indicated that the increasing number of taxis contributed to

the problem, because drivers now had to wait for two hours in order to make loads at Johannesburg's Noord Street rank

Given the lower number of commuters on Sundays, some drivers say they may stop operating on this day

"If you are lucky, you could make a taking of about R100 on a Sunday," said Phulemon Ndaba, a taxi owner and driver

"Before I bought my own minibus I thought my boss was making a lot of money

"But now I know that all the money is taken by petrol and vehicle spares"

Ndaba said drivers who do not own minibuses face disaster as most of them are paid at irregular intervals by taxi owners.

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Secrecy over black oil venture

(183)
Komolan 25/4/96

By Isaac Moledi

SECRECY still surrounds the establishment of a black-controlled oil company in conjunction with Sasol, despite the company's having made an initial announcement eight months ago

Sasol announced in August last year that it was planning to establish a black-controlled oil company with "a specific black group"

The announcement coincided with Caltex's that it was going into a joint venture with Worldwide Investments to form a black controlled oil company - Afric Oil

At the time Sasol was accused by some people of "attempting to steal the limelight" from Caltex

Since the announcement things have been quiet.

At the beginning Sasol was said to be talking to the National Black Fuel Retailers Association

Nabfra was led by the associa-

Involved parties maintain the negotiations are still on track

tion's president, Jeff Hlabangane, and its national organiser Moses Moloele

However, Hlabangane has since become a McDonalds franchisee

Both Sasol and Nabfra say negotiations are still taking place but refuse to comment further

Confidentiality

The two parties cite the confidentiality clause the two groups have agreed on as preventing them from releasing details about progress on the talks

"What I can say so far is that the discussions with the black group are still on track and I cannot disclose the progress we have made so far. That will mean breaking our confidentiality agreement with the concerned group," says

Sasol communication manager Alfonso Niemand.

The secrecy that Sasol has maintained since last August's announcement has also prompted allegations that Sasol had timed its initial announcement to mislead Nedlac into believing it was a move towards black empowerment.

But Sasol has denied the allegations

For its part, Nabfra says great progress has been made and the deal will be announced soon

However, Moloele was reluctant to reveal more information, saying it will work against the spirit of the negotiations.

He says negotiations are taking long because they involve a number of people

AECI blaze to be subject of inquiry commission

Staff Reporter

ARG 25/4/96

A COMMISSION of inquiry is likely to be set up to investigate last December's AECI sulphur blaze at Somerset West.

It allegedly caused the deaths of two Macassar brothers and led to the evacuation of thousands of people from the area.

At a meeting yesterday between Deputy Minister of Environment, Bantu Holomisa, Western Cape Finance Minister, Kobus Meiring, AECI officials and members of the Macassar Crisis Committee, it was decided to ask the Cabinet to consider setting up a commission of inquiry into the disaster.

It would focus on the origins and establishment of the sulphur stockpile, the circumstances leading up to the fire and the effectiveness of the emergency response plan.

It would also include probing the impact of the fire on the surrounding communities and the adequacy of legislation controlling the storage of hazardous substances.

Brothers Ronald and Andrew Williams of Macassar were overcome by sulphur fumes during the fire on December 16 and died soon after.

More than 120 people were taken to hospital and 2 500 Macassar residents were evacuated.

Meanwhile, AECI has started negotiations about compensation and is expected to pay up to R20 million, according to an earlier statement.

A spokesman for the Macassar Crisis Committee said he welcomed the inquiry and described it as "in line" with what had been discussed.

He added that AECI and the Crisis Committee were "committed to a credible inquiry".

Motorists face new tax shocks

(183)
Staff Reporters

ARLT 26/4/96

YET more shocks await motorists reeling from yesterday's announcement of a 13c a litre petrol price increase

Drastic proposals to raise the fuel levy by 14c a litre, to double vehicle licence fees and to create more toll roads are on the cards

Minister of Transport Mac Maharaj dropped the latest tax bombshell during an address at the seventh annual congress of the South African Institution of Civil Engineers (SAICE) in Cape Town yesterday.

Years of government underfunding meant that fundamental changes in the management and funding of roads were necessary to halt the deterioration of the rural road network, he said

The cost of tackling the maintenance backlog and catering for growing traffic needs was estimated at R7,9 billion a year

Sapa reports the Automobile Association as saying the petrol price increase underlined the need for urgent deregulation of the oil industry

● See page 8.

'SASOL/TOTAL/ENGEN' (183)

KEEPING DOORS OPEN

FM 26/4/96

Is there hope for a revival of talks on a possible alliance between Sasol and Engen after this week's announcement that Sasol and Total have made up their differences and called off arbitration? At the moment, it seems not — though Engen will probably keep the door open until details of the settlement are disclosed

Sasol issued a short statement on Monday saying that the dispute between Total SA and Sasol Mining over the transfer of shares in Natref refinery to Sasol Oil has been "amicably resolved and settled to the satisfaction of both"

Basically, the dispute arose a year ago when Total, 36% joint owner of Natref, claimed the transfer of the 64% held by Sasol Mining to Sasol Oil activated a preemptive right. Its objection was apparently based on fears that earlier talks between Sasol and Engen could lead to a merger of refining and marketing activities and threaten Total's presence in SA. Sasol said that the transfer was just part of a restructure to align business activities with operating divisions. Still, the threat was real enough for Total to initi-

ate the dispute, which effectively ended the Sasol/Engen merger talks

These never got beyond the exploratory stage, despite speculation that Engen wanted extra refining capacity and Sasol was looking at increasing retailing activities through some form of merger

Engen now says no talks are in progress, nor contemplated, though the underlying logic remains "Talks remain on hold until we know the status of the deal between Sasol and Total, what's been left out and what remains inside the settlement," says a spokesman

Sasol would clearly like to increase its marketing activities, though the need for Engen — with its R2bn Durban refinery still underperforming despite huge expansion — is greater *Shaun Harris*

MOSSGAS (183)

SHARKS MOVE IN

FM 26/4/96

Moves to partly or fully privatise government's R11bn gas-based synfuel plant, Mossgas, are gathering pace and an "acceptable candidate" should be made known by the end of September, says acting CE David Day

He says early negotiations are proceeding as planned with "more than 12" shortlisted private-sector groups on their various proposals for the plant's future

"We have now asked for detailed information in various individual prospectus documents and are setting up data rooms in Cape Town (for the offshore platform and pumping station) and in Mossel Bay (the onshore refinery) to enable bidders to obtain all the relevant information they need to firm their bids "

Day says "indicative bids" must be in by the end of May, allowing government to narrow the shortlist and enter into more serious negotiations

"We expect this stage to last until the end of August, when we should be in a position to draw up a final shortlist

"It's hoped that, by the end of September, we would have one acceptable private-sector candidate and should then be in a position to sign the deal in October," says Day

Mossgas earned R16m above budget projections in the first quarter of 1996. Day says this is the result of higher-than-projected oil prices, as well as improved refinery volume throughputs (6,5% above budget)

"Both factors contributed roughly 50% to the improved result," he says

But, with about a third of the refinery due to be taken out of production this month during a scheduled shutdown, the same result cannot be expected in the current quarter ■

Fund plans \$75m oil field loan

Edward West

(183.) BO 26/4/96
THE Central Energy Fund (CEF) had appointed First National Bank and Fuji Bank to arrange a \$75m medium-term loan to fund the development of the E-BT oil field by oil exploration parastatal Soekor, the fund said yesterday

State-owned CEF's subsidiaries are fuel-from-off-shore gas producer Mossgas, Soekor and SFF Association. The latter trades and stores crude oil for commercial and strategic purposes

Soekor owns 80% of the E-BT field, 140km southwest of Mossel Bay. Energy Africa, the company holding Engen's international exploration interests, holds the rest. The E-BT field was expected to cost about R300m to develop and production of a initial 20 000 barrels was expected by February

CEF spokesman Sarel Cilliers said possible sale of Mossgas would not affect the terms of government's guaranteed loan, which would fund Soekor's share

COMPANIES

SASOL is maintaining a studious silence over plans it announced last August to further black empowerment by creating a black-controlled oil retail company.

Part of the reason may be that the oil group is not totally sure about who it is supposed to be talking to, and about what Sasol previously said it was talking to one "specific" group.

It is in talks with the National Black Fuel Retailers' Association. But then it is also talking to Powerlib, headed by Eric Molefe.

Powerlib's membership, as of yesterday, included Bobby Makwela's African Renaissance, soccer personality Jomo Sono, the SA National Civics Organisation, the National Hostel Residents' Association, and a string of smaller black investment companies.

Listed investment trust NSA Investments, in which Don Neube's Real Africa Investments holds 12%, was once involved but told Molefe it wanted out. Investec was unable to confirm or deny suggestions that it was also in the consortium.

Powerlib sources say a deal is close to completion, but Sasol is no longer alone. Engen, which may or may not be seeking a merger with Sasol anyway, has been brought into the equation.

Engen company secretary Doug Evans confirms such talks, but adds it has been talking to a string of would-be oil barons, some of whom wanted a full-blown stake in the company. Nothing, he adds, is close to being finalised.

□ □ □ □

IT seems that all the furor surrounding former African Bank CEO Jack Theron's alleged involvement in irregular loans may come to nothing.

Office for Serious Economic Offences director Jan Swanepoel says that at the moment an arrest or prosecution is not likely due to lack of evidence. He says the OSEO is still having difficulty gathering evidence

Sasol's silence is confusing

(183) 6A26/4/96



INSIDER TRADING

Edited by
Amanda Vermeulen

and documentation from Afbank — either because it was destroyed or it never existed in the first place.

Herman de Beer, who left the Witwatersrand attorney-general's office earlier this year, is collaborating with Afbank curator John Louw, from KPMG Arken & Peat, in the investigation in question.

Afbank CEO Colin Franks and Swanepoel cannot agree on whether the OSEO has prohibited bank employees from talking about the investigation. Franks says Afbank employees are testifying and handing over documents concerning the alleged misbehaviour to the OSEO.

□ □ □ □

SUGGESTIONS that Bidvest is rather more than a theoretical participant in the Johnnic black empowerment saga gather pace.

We hear that the plan is for Bidvest to buy Johnnic's 27,8% Premier stake if and when the National Empowerment Consortium succeeds in its efforts with Anglo, thus cutting some of the debt the consortium could find itself saddled with.

But Bidvest chairman Brian Joffe, who said a tie-up with the consortium could have long-term benefits for shareholders, was less forthcoming.

Joffe said plans to sell the Premier stake to Bidvest "was news to him" as was speculation that he and Premier chairman and CEO Doug Band would be joint chairmen after a transaction.

However, it is understood Bidvest could be interested in Premier. "I like Doug Band," Joffe noted.

□ □ □ □

ON the subject of Johnnic, all may not be well among minority shareholders of Metropolitan Life. Apparently several are less enthusiastic than main shareholder New Africa Investments (Nail) about Nail's plans to use Metlife as the cash-rich vehicle to go after Johnnic.

Apparently they are concerned that returns from the industrial holdings group are beneath those they have come to expect from Metlife.

The minorities include SA Mutual Life, Iscor Pension Fund, Liberty Life, Santam, Sasol Pension Fund and various other pension funds.

Metlife shareholder Sankorp, which has a 22% stake in the insurer and 20% of Nail, has already backed Nail's involvement in the bid and is discussing giving its blessing to the Metlife plan.

Metlife MD Marnus Smith has dismissed suggestions that his smaller shareholders are unhappy. And anyway, he adds, they would not be consulted on portfolio investments. He said there had been no shareholder meeting to discuss the matter, nor was there likely to be.

□ □ □ □

THE decision by Community Growth Fund earlier this week to turn down, temporarily at least, Board of Execu-

tors, Nasionale Pers and Coronation Asset Management as investments is intriguing.

The fund screens companies to check whether they meet its 17 social investment criteria. At this stage the three do not, though the fund stresses that it is investigating the matter and that the three may pass the test at a later date (as Dorbyl did).

Coronation is run by former Syffrès management and was once part of Syffrès, whose current operations include joint ownership of Community Growth Fund with the trade union company Unity.

□ □ □ □

THE new company formed to house Times Media's Port Elizabeth-based newspapers, Times Media Eastern Cape, is preparing to make a bid to buy regional station Radio Algoa, sources inside the Eastern Cape empowerment community say.

The proposed move might contravene Independent Broadcasting Authority regulations banning cross ownership of media.

Radio Algoa's merchant banker, Investec, said a statement would be made soon, while the black consortium's spokesman Julius Miya said he was "not at liberty to comment on the matter right now".

What Miya will comment about later is not clear. "TWE Eastern Cape is not contemplating buying anything," says TWE finance director Lawrence Clark.

Radio Algoa has attracted a number of bidders, it would appear. The Crescent Consortium, comprising Kevin Savage and Tony Mallan, lodged a formal submission yesterday.

Maharaj proposes 14c/l levy on petrol

Linda Ensor

BD 26/4/96

(183)

CAPE TOWN — Transport Minister Mac Maharaj has proposed doubling vehicle licence fees and slapping a 14c/l levy on petrol to raise about R4,4bn a year to revive SA's run-down roads.

Maharaj told the annual congress of the SA Institution of Civil Engineers yesterday that the Cabinet had endorsed a plan to create an independent agency to manage and maintain primary roads and mobilise private sector funding. Current funds allocated to SA's roads were sufficient to fund only 60% of maintenance needs, let alone improvements and expansion, he said.

SA would need to spend R7,9bn a year for the next 10 years to address the backlog and maintain the network.

The treasury collected more than R8bn a year in licence fees and fuel tax-

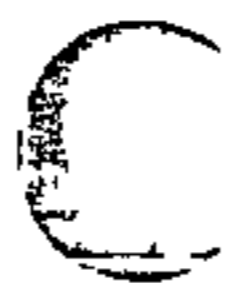
es, but just R3,2bn was allocated each year for rural roads, he said.

The higher licence fees would generate R2bn of the R5,5bn needed yearly to fund provincial roads, with the rest coming from the exchequer.

There was wide public support for a dedicated national road fund sourced by a fuel levy, and loan funds redeemed through toll charges. Loan financing could raise R400m with the dedicated fuel levy pulling in another R2,4bn. This would set the fuel levy for primary roads at about 14c/l.

"While this might ... be an onerous additional burden on the motorist, it should be noted that the exchequer already collects some 60c/l from the motorist as a tax, and that a portion of this 14c/l could be provided from this tax."

See Page 3



Oil product sales rise by 6%

Edward West

(183)
BO 26/4/96

SALES of major petroleum products grew 6% in the first quarter of this year over the same period last year, indicating buoyant consumer demand, the SA Petroleum Industry Association (Sapia) said yesterday.

The major product, petrol, which comprises more than 50% of SA demand, grew 6% to 2,6-billion litres in the first three months compared with 5,4% growth for the whole of last year.

However, with car sales falling 5,3% in the first quarter over the same period last year, consumer demand could flatten in the second quarter, Sapia warned. A Caltex spokesman said fuel price increases would also dampen demand.

A slowdown in the growth of manufacturing and other supply sectors was reflected in slower growth in demand for diesel. However, the transport sector consumed 17% more diesel in the first quarter over the first quarter of last year.

Lighting paraffin and fuel oil sales

grew strongly by 11,4% to 206-million litres and 20,6% to 164-million litres respectively in the first quarter, but this was off a low base and the high growth rate was not expected to be sustained. Jet fuel continued its growth trend of the past few years by increasing 9,5% in the first quarter to 347-million litres due to the rapid growth of the number of international flights into SA, Caltex said.

Sapia director Collin McClelland said additional petrol refining capacity would be needed in the next few years in line with present demand trends.

Negotiations about the subsidisation of Sasol and Mossgas and the future of the industry would prove an acid test on whether SA could expect any further foreign investment in fuel refining, he said.

Shell SA yesterday confirmed it was investigating expanding refining capacity, but it was still too early to say by how much. A spokesman said expenditure depended on government's recommendations on the industry's future.

Petrol price rise raises doubt over new system

ANDREA BOTHA
Staff Reporter

THE soaring petrol price has led to criticism of the new policy of allowing monthly price adjustments instead of strict government controls. But, experts believe monthly price-fixing is the best method.

Following the rand's plunge, which makes imported oil more expensive, a

petrol price hike of 13c a litre will take effect on May 1 - the biggest increase in the petrol price since the new price system was introduced in October 1994.

According to a spokesman for the Department of Mineral and Energy Affairs, this is the result of the falling rand and a rise in international oil prices.

In February, the petrol price reached a low point but it's rocketing price now is causing some concern on the new system of fixing the price.

The new system means less government control of the price and a monthly setting of the petrol price.

Initially, the public responded favourably to the system. The petrol price fell immediately and remained relatively stable throughout last year.

But, the deregulation means the government no longer projects the petrol price which is determined by market values and no longer shores it up.

When the rand began to plummet, the petrol price decline, petrol immediately rose by 8c a litre and will now rise to an all-time high.

Economist Riaan le Roux, is convinced it is still the best way.

He said the government would not be able to subsidise the petrol price affected by the present weak rand. Subsidising the price would only mean huge financial losses for the government, which would then have to make up for it in other ways, such as income tax. This would hit even those who didn't use petrol.

(183) ARL 26/4/96

Search for oil will not involve taxpayers' money

(183)

CT(BR) 26/4/96

Foreign loans to fund offshore fields

By JAMES LAMONT

Johannesburg — The Central Energy Fund (CEF) has commissioned First National Bank of South Africa and Japan's Fuji Bank to secure a medium-term loan facility to fund the development of South Africa's first offshore oil field, the fund said yesterday.

The energy fund, which manages the state's liquid fuels interests, would not disclose the size of the loan for the development of the E-BT field 140km southwest of Mossel-Bay. The loan is guaranteed by the government.

The fund, whose exploration and development arm, Soekor, is a partner with Energy Africa in the venture, intends to spend \$75 million in the development of the field. It said its share of the capital cost would be raised through syndicated international loans and would not use South African taxpayers' money.

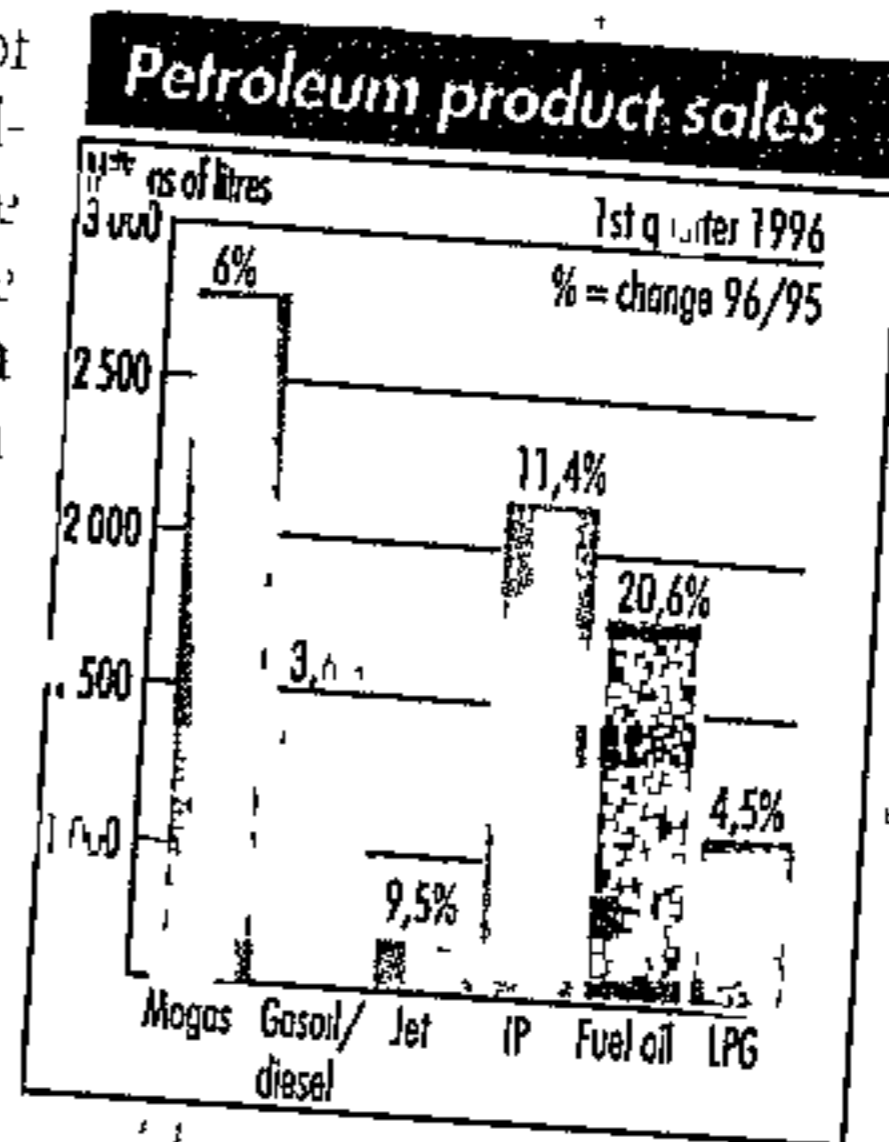
Developing the E-BT field will cost an estimated R285 million. Soekor holds an 80 percent share in the development of E-BT and

First-quarter petrol sales rise 6%

Johannesburg — National sales of petroleum products rose to 4.8 billion litres in the first quarter of the year, up 6 percent from the same period last year, the South African Petroleum Industry Association said yesterday.

Petrol sales rose 6 percent to 2.6 billion litres despite flattened demand for cars.

Slower growth of manufacturing fuelled a slower growth in demand for diesel. Sales were 1.3 billion litres, up 3.6 percent.



Energy Africa has 20 percent

E-BT was discovered in 1990 and has proven reserves of 32 million barrels. It will produce 20 000 barrels a day when production begins next February. The life of the field is estimated at between three and six years. The reserves will be drilled 2 300m below the sea floor.

However, if adjacent fields were developed, the life of the operation could be extended by six years.

Adjacent fields hold estimated reserves of between 15 million and 40 million barrels.

Last year Soekor invited tenders for exploration licences for oil and gas deposits off the coastline of South Africa, but it received a muted response.

Roy Pithey, the chief executive of the fund, said Soekor had retained the rights to two exploration blocks, including the Bredasdorp Basin, but left the rest of the coastline open to tender.

Maharaj drops tax levy bombshell for 'reeling' motorists

~~(320)~~ ~~280~~ (183) Star 26/4/96.
OWN CORRESPONDENTS

Cape Town - Yet more shocks await motorists who will be reeling from the expected announcement of a 13c a litre petrol price increase

Minister of Transport Mac Maharaj has drastic proposals to increase the fuel levy by 14c a litre, to double vehicle licence fees and possibly add more toll roads. He dropped the tax bombshell yesterday during a keynote address at

the seventh annual congress of the SA Institution of Civil Engineers (SAICE) in Cape Town, saying years of underfunding meant "fundamental changes" were necessary in the management and funding of roads.

The proposed measures would form part of a drive to commercialise some of the country's roads to generate alternative funds for road maintenance and construction, he added.

The cost of redressing the

maintenance backlog and catering for growing traffic needs was estimated at R7,9-billion a year while the fiscus provided only R3,2-billion a year for rural roads.

The proposed fuel levy increase plus loan funds, redeemed through toll charges, would be paid into a National Road Fund, which would be used to finance primary roads. Secondary and tertiary roads would be funded through vehicle licences and annual budget allocations.

Pressure to deregulate petrol

(183) (223) . ST(BT) 28/4/96
By CIARAN RYAN

PRESSURE is mounting to deregulate the fuel industry as the only way to spare consumers a runaway petrol price

The Central Energy Fund on Friday announced a 14c a litre hike in fuel prices from May 1, putting the Reef price at R2,05 a litre. If the rand and oil prices remain at current levels, consumers face another 7c a litre price increase in June, pushing the price to R2,12 a litre. This means that the price increase of 14c a litre covers only two-thirds of the damage caused by the collapsing rand.

Each 10c devaluation in the rand

translates into a 1,8c a litre under-recovery on the fuel price

Not everyone loses, however. Because Sasol and Mossgas synthetic fuel support is pegged to the dollar price of oil, both companies will receive higher State protection, but they will not receive the full benefit of the 23% devaluation of the rand since February.

More bad news arrived this week when Transport Minister Mac Maharaj proposed a doubling of licence

fees and a 14c a litre levy on petrol sales to upgrade roads

Deregulation of the oil industry could save the consumer between 10c and 20c a litre, but many industry spokesmen believe trade union antipathy to a free-for-all in the market makes deregulation unlikely. A free market would mean suspension of State support for Mossgas and Sasol, which are paid from a 6,4c a litre Equalisation Fund. Oil companies would receive lower retailing and wholesaling margins as a result of competitive pressures.

● See Page 5

Tiger Oats and Merck agree to purchase of Logos Pharmaceuticals

ET(BR) 29/4/96 (183)
Johannesburg — Tiger Oats and Merck and Company said on Friday they had signed a letter of intent for Merck to buy Logos Pharmaceuticals, a wholly owned subsidiary of Tiger Oats

"We have had a very productive relationship with Merck and look forward to exploring further opportunities between the two companies. In fact, we have already reached a tentative agreement for Tiger Oats to distribute in South Africa Merck's animal health and agricultural products, which will form the backbone of a new company to be formed in the Tiger Oats group," said Robbie Williams, the chairman of Tiger Oats

Sasol Gas pipeline completed

(183)

CT(BR) 2/5/96
By James Lamont

INDUSTRIAL EDITOR

Johannesburg — South Africa's fledgling gas distribution network took a step forward last week with the completion of Sasol Gas's R70 million gas pipeline to industrial areas around Pretoria

The first consumers of the gas are expected to be connected to the pipeline today

It stretches 35km from Olifantsfontein to Kwaggasrand, where it branches out to the industrial areas of Rosslyn and Pretoria West

British-based Murphy Pipelines started construction of the pipeline last September. It was completed last week.

The pipeline was then handed over to Sasol Gas for final commissioning.

"We responded to industry needs in the Pretoria West and Rosslyn areas, which identified pipeline gas as the preferred energy source," said Willie Roussouw, the general manager of Sasol Gas.

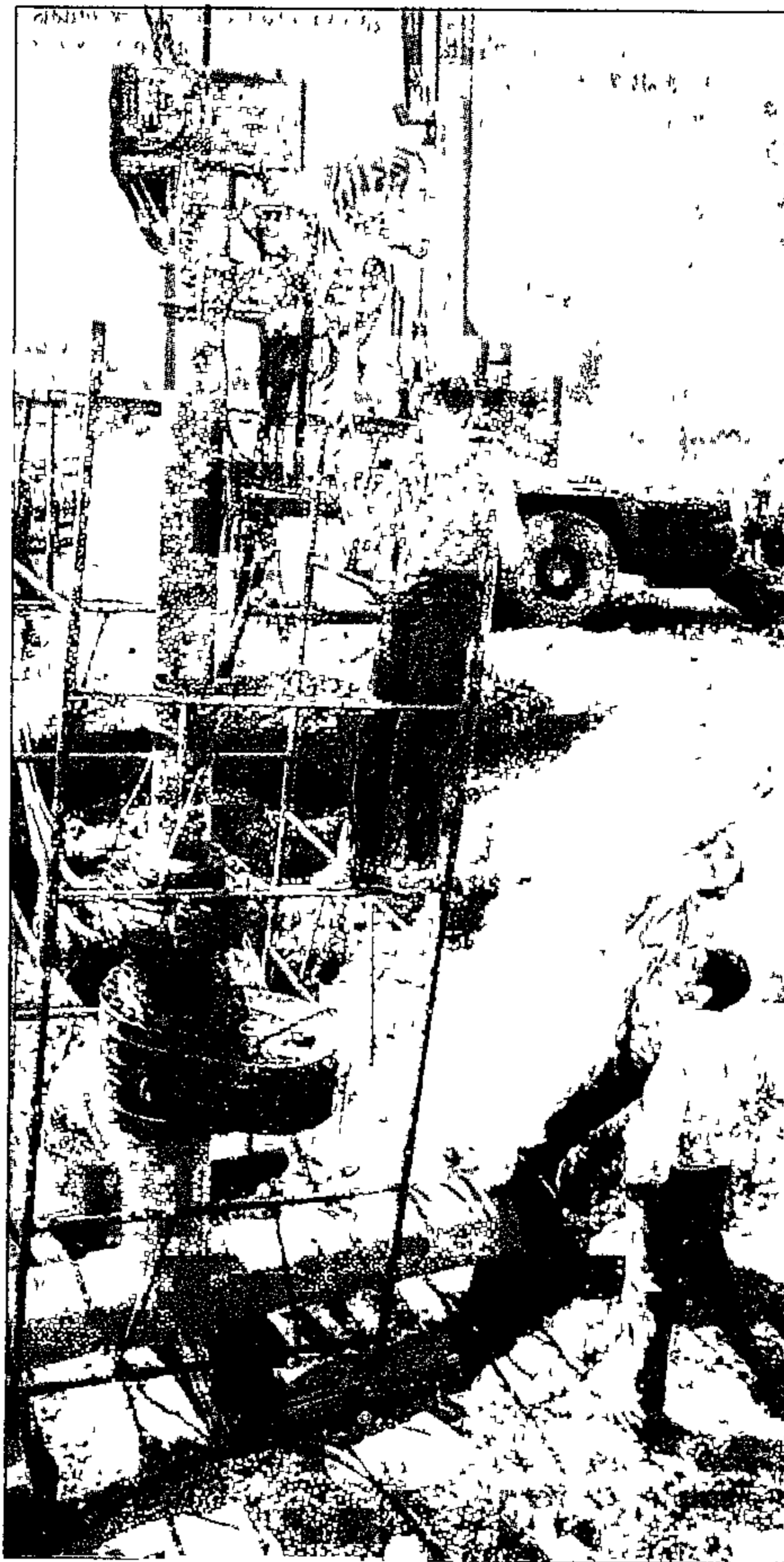
"We have already signed a number of contracts for the new line, with industry recognising the efficiency, cost and environmental benefits of using our products.

"Users include the chemical, motor manufacturing and steel industries."

He said environmental considerations had played a major part in the decision to meet local demand.

Sasol has been involved in the supply of gas to industry in the Gauteng region on a small scale since 1964.

It has built a pipeline from Secunda to Middelburg to supply the Columbus steel plant and is working on a further line from Secunda to the Petronet pipeline



GAS FOR GAUTENG The final stages of Sasol Gas's R70 million pipeline bringing gas from Olifantsfontein to Pretoria were completed last week. Pictured is the final stage of commissioning at the pipeline.

to supply methane-rich gas to KwaZulu Natal.

The use of gas for power generation in South Africa has been viewed unfavourably despite its low pollution levels.

This is because of the country's vast cheap coal reserves and the large investment in coal-burning

power stations by Eskom, the state-owned electricity utility.

Because South Africa has relatively low reserves of gas and may have to import it from Mozambique and Namibia, Eskom is unlikely to use gas for power generation as long as coal is freely available.

pump containing

Drug firms cut bonuses to doctors

(183) (92) (93)

OWN CORRESPONDENT

CT 2/5/96

JOHANNESBURG: Pharmaceutical manufacturers have fallen in line with the Health Ministry's moves to curb drug prices and have finally stopped one of the industry's most inflationary practices: Giving dispensing doctors "bonuses" in the form of free prescription medicines

The Pharmaceutical Manufacturers Association of South Africa (PMA) said its members had agreed to stop "off-invoice bonusing" from the end of last month

The move was approved by the Competition Board and would help contain health care costs, and end a number of potentially unethical practices, it said

The PMA, which represents South Africa's multinational, research-based pharmaceutical companies, said off-invoice bonusing had "contributed significantly" to a steep rise in the use of prescription medicine and health care inflation in recent years.

"For consumers, any practice that encourages unnecessary prescribing is potentially harmful, since patients seldom question the decisions and prescribing habits of their practitioners," it said

The move was also expected to ensure price transparency throughout the distribution chain, so that discounts given by manufacturers reached the consumer

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183 (8)

'Perverse' drug discounting practice to stop

End to 'off-invoice bonusing' should
bring down cost of pharmaceuticals

By JANINE SIMON
Medical Correspondent

Pharmaceutical manufacturers have fallen in line with the Health Ministry's moves to curb drug prices and have finally stopped one of the industry's most inflationary practices, giving dispensing doctors and pharmacies "bonuses" in the form of free prescription medicines.

The Pharmaceutical Manufacturers' Association of SA (PMA) announced this week that members had agreed to stop "off-invoice bonusing" from the end of April, and would open their books to independent auditors if there were allegations that the agreement had been breached.

The move had been approved by the Competition Board and would help to contain health care costs, and end a number of potentially unethical practices, it said in a statement.

The PMA, which represents SA's multinational, research-based pharmaceutical companies, said off-invoice bonusing had contributed "significantly" to a steep rise in the use of prescription medicine and overall health care inflation in recent years.

"For consumers, any practice that encourages unnecessary prescribing is potentially harmful, since patients seldom question the decisions and prescribing habits of their practitioners," it said.

The move was also expected to ensure price transparency throughout the distribution chain, so that discounts given by manufacturers did in fact reach the consumer.

The agreement showed the industry's commitment to the competition-law principle that a seller should not unfairly discriminate between the same class of buyer.

However, this principle allowed lawful price differentiation, by which a seller could determine price according to factors such as volumes and terms of payment.

The PMA was, accordingly, revising its marketing and practice codes in collaboration with the Competition Board, to a form which would encourage the self-regulation of the industry.

The announcement was welcomed by Dr Ian Roberts, special adviser to the minister of health, who said bonusing was one of the perverse incentives pushing up prices in the health sector.

In some companies, up to a third of drugs were bonused, and prices on other products were raised to cover the costs. Scrapping the practice would therefore allow for significant price reductions, he said.

It would also help to combat the grey market in pharmaceuticals as bonus drugs were not invoiced or declared, and so added to the problem of tracking goods stolen from pharmacies and state hospitals.

Cost-canny Afrox reports 20% profit

(183) BD 3/5/96

Amanda Vermeulen

AFRICAN Oxygen (Afrox) boosted attributable profit 20% to R84,7m in the six months to March after improved economic activity, cost containment and a customer-focused approach.

Current cost earnings a share increased 19% to 28,2c and an interim dividend of 11,6c (10,2c) was declared. Historic cost share earnings rose 19% to 31,4c.

Turnover improved by 15% to reach R946,9m, while trading profit improved 14% to R181,6m. Profit before interest grew to R184,4m (R161,8m) which, after an increased net interest payment of R34,4m, left pre-tax profits up 14% at R150,1m.

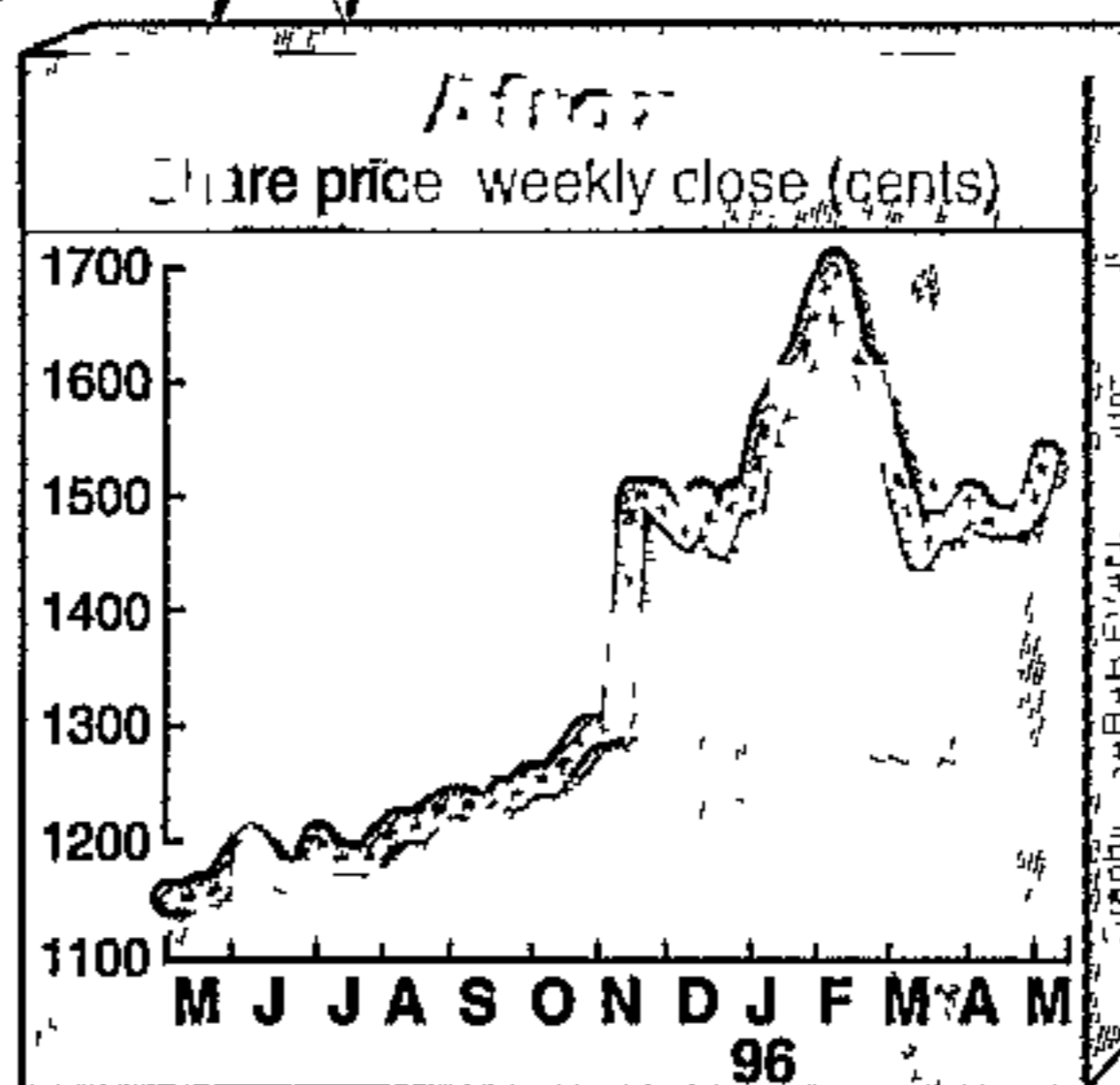
Tax increased to R52,4m from R50,6m, with taxed profits 21% higher at R97,7m. Deductions for additional depreciation of R9,7m and outside shareholders' interest of R4,8m plus income from associated companies of R1,4m left attributable profit at R84,7m from R70,8m a year before.

Chairman and MD Royden Vice said the improved earnings were in line with expectations. All the group's businesses had performed well, although there was a notable lack of major engineering projects.

"The solid performance was therefore mainly due to the marginally higher level of economic activity, an effective market and customer focused approach as well as a stringent cost containment programme," he said.

Many initiatives were put in place during the weak economic cycles of 1993, 1994 and now that the economy was firmer, Afrox was reaping the benefits in the form of continued sound, stable and sustainable growth, he said.

Capital expenditure and investments for the period totalled R94m (R90m), in line with the group's plan to



grow the business organically and by investments. Vice said new investment activities had increased to R66m this year from R31m last year, with these investments being in key acquisitions and new product development areas.

Borrowings increased slightly to R44,1m (R42,0m) as a result of cash savings from the September capitalisation share award and cash from operations.

Vice said the gases business had performed well in an increasingly competitive market. Construction had begun on an air separation plant in Witbank for Highveld Steel and Vanadium and Columbus Steel. The project would be the largest undertaken by the group in SA and would be commissioned by the middle of next year.

Handigas had continued to show sound growth, helped by the new Roodekop Handigas facility.

The welding business had performed in line with the economy, and the health care business had shown sound profits.

Vice said the group was well placed to respond to changes in the markets in which it operated. Continuous progress was expected, provided economic activity remained at current levels.

Afrox announces earnings of R85m

By Fiona Leney

CT (BR) 3/5/96 (183)

Johannesburg — African Oxygen (Afrox), the gas, welding and healthcare group, consolidated last year's strong results with a 20 percent rise in inflation adjusted earnings to R85 million for the six months ended 31 March

Turnover increased 15 percent to R947 million (R825 million) and trading profit improved 14 percent to R182 million (R159 million). However, interest paid rose 12 percent to R34 million and tax was up 3 percent at R52 million

Shareholders would be offered a capitalisation share award in lieu of an interim cash dividend, the company said. This was in line with Afrox's aim of increasing the number of shares in circulation and enhancing their marketability

Shareholders would be given the option of choosing an interim cash dividend of 11,6c (10,2c), up 14 percent.

Royden Vice, the chairman and managing director of Afrox, said the improvement in earnings was in line with expectations

"The healthy performance is particularly pleasing considering it is off a high base," he said

He said all businesses in the group performed well, despite a lack of big engineering projects

A slightly higher level of economic activity, an effective market and customer-focused approach, and a stringent cost-containment programme helped to improve results

A Johannesburg analyst said that Afrox was benefiting from South Africa's return to the international financial community, with new opportunities emerging

"They have also been quick to respond to the changing healthcare market, and have formed important strategic alliances in the sector," he said.

In March, Afrox Healthcare announced that it was linking up with Medi-Clinic to create a national network of hospital and doctor services

Capital expenditure and investments for the six months totalled R94 million (R90 million), indicating Afrox's commitment to continued growth, the company said

Expenditure on new investment activities, such as acquisitions and new product development, showed a marked increase from R31 million last year to R66 million this year.

Pharmaceutical body moves to cut medicine costs

Kathryn Strachan

IN A move expected to cut high medicine costs to the public, the Pharmaceutical Manufacturers' Association (PMA) has agreed to stop giving out free medicines, particularly to dispensing doctors.

The practice of giving free promotional medicines to doctors has in recent years contributed significantly to a steep rise in the use of prescription medicines and overall health care inflation.

Doctors often prescribed these promotional medicines unnecessarily because they could in turn charge the patient for the medicine, and make 100% profit.

"For consumers, any practice that encourages unnecessary prescribing is potentially harmful, particularly since patients seldom question the medical decisions and prescribing habits of their practitioners," PMA CEO Mirryna Deeb said. She said the ban would help to contain health care costs and end unethical practices.

The move was also expected to contribute towards greater price transparency throughout the distribution chain, ensuring that discounts given by manufacturers do in fact reach the consumer.

Through this move, the PMA aimed to encourage the self-regulation of the industry.

Earlier this year, the health department warned the industry that unless it took steps to lower medicine costs to the public, the state would intervene with far more drastic measures.

Deeb said the PMA's agreement was part of a general commitment by the industry to abide by the competition law principle. According to this principle it is unfair to have discriminatory pricing between the same level of buyer, such as a pharmacist and a doctor. However, lawful price differentiation does allow factors such as volume, terms of payment and creditworthiness to be taken into account in determining prices.

Sasol Fibres a white elephant, says industry

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Sasol Fibres, the R370 million acrylic fibre plant in Prospecton, is a white elephant, incapable of supplying industry needs competitively, the textile sector said yesterday.

Outraged players intend opposing Sasol's request for protective duties on imported acrylic fibre, which has come in duty free. Textile manufacturers feel they

have been deceived by the plant's partners — Sasol and the Industrial Development Corporation — who declared protective tariffs would not be needed and never be requested when they launched the Sasol Fibres project in 1991.

Brian Brink, the head of the Textile Federation, said a list of objections would be submitted to the department of trade and industry by today's deadline. Textile industry sources point out that Sasol Fibres went ahead

despite warnings that it would never succeed. As a result, just 270 jobs have been created at a cost of between R1,2 and R1,5 million each. Sasol has said the object of the project was import replacement and export, rather than job replacement — neither of which have been realised, industry sources say.

Brink says the second-hand equipment for the project (which was initially costed out at R250 million, but escalated to R320 million and is now believed to have cost

(183) CT (BR) 3/5/96

R370 million) uses outdated technology which produces a limited range of products unsuited to local needs.

Manufacturers also say that apart from supplying the wrong product — dyed fibre rather than natural fibre — Sasol Fibres appears unable to solve its quality and delivery problems.

As a result, duties would simply inflate the price of raw materials rather than force the local industry to buy from Sasol.

Edward West (183)

THE trade and industry department plans to launch three more chemical industry cluster studies within the next six weeks to promote downstream manufacturing in the sector.

Department chemical and allied industries director David Walwyn said the studies, which would make recommendations to government on supply-side incentives for the sector, would focus on the pharmaceutical, the construction and allied chemicals and the agricultural chemicals industries.

The studies would be undertaken by business, labour and government representatives and would make recommendations aimed at enhancing competitiveness, removing constraints for downstream development and creating job opportunities.

Former Trade and Industry Minister Trevor Manuel said in January that up to 400 000 new jobs could be created in the petrochemicals, plastics and synthetic fibres cluster of industries within 10 years.

Walwyn said supply-side incentives for the chemical industry appeared to be a long way off, and there was nothing to replace the phasing out of GEIS. However, the chemical sector — it comprises 25% of SA's annual manufacturing GDP — had in the past used only about 10% of the total GEIS

More chemical cluster studies are planned

benefits paid out.

The planned cluster studies follow the release this year of a study by UK-based international consultants Chem Systems, commissioned by the Taiwanese government, to assess investment opportunities in the chemicals sector.

Walwyn said the study, which found SA to be one of the least attractive countries for foreign investment in terms of tax holidays, company tax, foreign exchange controls, repatriation of dividends and investment incentives, had been aimed primarily at the upstream chemicals manufacturing sector.

The study was the first of the industry cluster studies and a 12-person interim working committee comprising labour, business and government had been set up to investigate downstream manufacturing in the petrochemicals sector, he said.

The committee had been broken down into seven working groups, each of which would report on aspects such as financial environment, feedstocks, research and technology by September 1.

Potential capital expenditure reduced by \$250 million

Energy Africa's shares soar to new high after sale

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Energy Africa, Engen's 60 percent-owned oil and gas exploration and production subsidiary, rose to a new high of R10,75 on Friday after selling off nearly two-thirds of its 25 percent stake in Namibia's Kudu gas field.

In buying off a 15 percent stake in Kudu to Texaco Namibia Resources, Energy Africa passed the cost of developing the area to the United States oil and gas company.

An oil-sector analyst said the deal was a sound arrangement that put a dollar value on part of Energy Africa's portfolio. The group's directors were reluctant to give the exact terms of the deal because formal approval is still pending.

Reports estimate that the sale reduced Energy Africa's potential capital expenditure by \$250 million. The company's shares have appreciated 13 percent since their listing in early March at R9,50.

The oil analyst said oil exploration stocks were currently big movers on Wall Street but local interest in Energy Africa was still muted. He questioned Energy Africa's listing on the mining exploration board of the JSE, suggesting the shares would be more appropriately quoted on the chemicals, oils and plastics board. "I'm bullish for the group, but there's a prevailing perception that Energy Africa is not a stock for widows and orphans," he said.

The Texaco deal covers the Kudu discovery field in block 2814, 130km off the southern Namibian coast. Estimates show the field could achieve gas flow rates in excess of 75 million cubic feet a day from completed wells.

Rob Angel, the chairman of Energy Africa, welcomed the Texaco deal because the company complemented the skills of the partners in the Kudu field. Shell owns 75 percent of the field, Texaco 15 percent and Energy

CT (BR) 6/5/96 (183)

Africa 10 percent. Shell Exploration and Production Namibia operates the field.

"Whilst Energy Africa has confidence that a significant gas resource will be proved in the Kudu licence, the transaction will allow the company to participate in the project as well as to further diversify its exploration portfolio in Africa," Angel said. He said Texaco added significant marketing skills and technical expertise to the Kudu group's partners.



OPTIMISTIC Rob Angel, the chairman of Energy Africa

Sasol to spend R820m on six new synthol reactors

(183) BD 7/5/96

Edward West

SASOL's board had approved the R820m replacement of its existing synthol reactors with six new-generation reactors to counter the phasing out of tariff protection, the group said yesterday.

The existing 16 synthol reactors would be replaced with six Sasol advanced synthol reactors

Sasol Synthetic Fuels MD Hannes Botha said the first of the new reactors would be commissioned in May 1998 and the last in February 1999 — the year in which tariff protection would be finally phased out.

Existing production volumes — synfuel production is currently 150 000 barrels a day — would be maintained initially and the aim was to bring down costs with the new reactors

A spokesman said costs could be as much as 30% lower.

The go-ahead follows the

group's announcement with its interim results in February that it planned to invest heavily to offset the effect of the tariff phase-out.

The synthetic fuels division was the group's star performer for the six months to December, with operating income jumping to R698m (R573m) of the group's R1,56bn total.

Sasol's tariff protection, worth about R1bn last year, is to be gradually phased out by 1999, cutting just more than R2bn from Sasol's cumulative profits for the next four years

The group is spending, too, about R100m reshaping the division, which is expected to lead to retrenchments among its 7 500-strong work force

Botha said provision had been made in the reactor design to increase volumes in future as bottlenecks in downstream production were eliminated.

A commercial scale prototype

of the new reactor — the vessel for it was built by Hyundai in Korea — had been operating without fail in Secunda for the past year "The new advanced synthol reactor consists of only one free-standing pressure vessel, which results in a much simpler configuration to operate," he said.

Botha said the new equipment would eliminate the replacement of high-wear components.

The system used significantly less catalyst and was easier to operate and maintain. Energy recovery was more efficient and an additional 1 000 ton/hour of steam would be generated

The new reactors use fluidised bed reactors instead of the conventional circulation bed reactor, Botha said.

"It is foreseen that this project will contribute significantly to lowering the cost of production of synthetic crude oil in the longer term," he said.

Drop in taxation helps lift Lion's income to R36,4m

B0 7/5/96 (183)

Nicola Jenvey

DURBAN — Industrial holding group Lion Match boosted attributable income 39% to R36,4m for the 12 months to March on the strength of a 25% drop in taxation and enhanced net investment income.

Share earnings increased to 80,1c from 57,5c last year, while a final dividend of 22c (16c) lifted total distribution to 33c (24c).

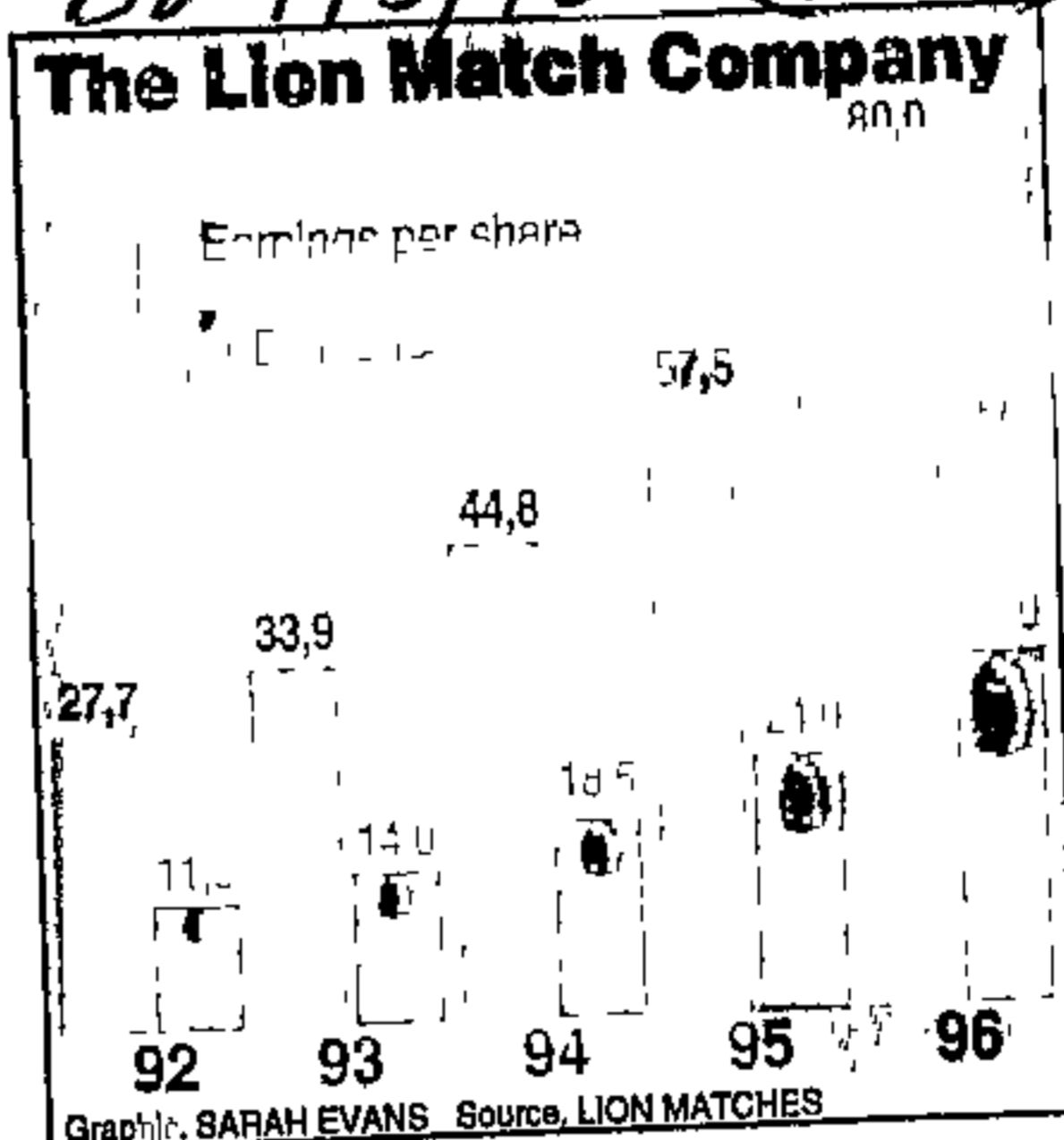
MD Terry Turner said turnover for the SA Breweries subsidiary rose to R184,6m from R166,7m a year before. Product sales edged up 5% to R169,3m after a falloff in export sales to Brazil, but net dividends received came to R15,4m from R5,7m.

Improved efficiencies and stringent cost controls throughout the group pushed up trading profit to almost R30m from R27,2m, he said.

A full year's contribution from the group's investment in preference shares raised net investment income 25% to R18m. Turner said the group had no immediate plans on whether to spend the money within the group or pay it out to shareholders.

"The investment remains highly liquid and tax efficient and yet still provides more than satisfactory returns for shareholders."

Lion Match benefited from a lower company tax rate, paying tax of



R11,6m compared to R15,5m last year.

Turner said cash retained from operating activities and asset disposals added another R17,1m to net liquid reserves. With R213,6m currently on hand, the group remained in an "extremely sound" financial position.

Continuing high unemployment and slackening economic growth would moderate increases in private consumption expenditure, he said.

However, local consumer demand for the group's products was expected to be maintained and this, coupled with further export potential, would raise earnings and dividends in the current year.

Afrox, Iscor sign volume supply deal

(183) BD 7/5/96

Edward West

AFROX has signed a 24-year-long contract worth R700m with Iscor's Pretoria works for the supply of increased volumes of argon, nitrogen and oxygen to the steel operation.

Iskor's Pretoria Works is currently being converted at a cost of R100m to stainless steel production from carbon steel production.

Afrox chairman and MD Royden Vice said yesterday that Afrox would increase the daily supply of gas by an extra 180 tons of oxygen and 100 tons of nitrogen until the beginning of the year 2013.

The company would also increase the daily supply of argon by 85 tons to the beginning of 2020. The original 20-year contract was signed in 1987.

The gas would be supplied from Afrox's Pretoria plant adjacent to the Iscor works.

The plant, which would be uprated, was built in 1987 to supply

gas for Iscor's then revolutionary Corex steel-making process.

The uprating of two air separation facilities at the plant — from 750 tons to 850 tons a day — and the installation of new piping and compression equipment would cost R50m, raising Afrox's total investment in Pretoria to about R450m. Afrox has already installed three new pipelines.

Afrox's Pretoria plant is also the major distribution site for the transport of Afrox gases throughout southern Africa.

"Winning supply schemes of this magnitude enables the company to make a quantum leap in production capacity and hence increase market share, effectively enhancing distribution efficiency," said Vice.

Meanwhile, Iscor's Steelforge division in Vereeniging yesterday became the first user of Sasol Gas's recently completed R70m gas pipeline from Olifantsfontein to Pretoria West and Rosslyn.

Sasol Gas said that Steelforge, which manufactures metal products for heavy engineering, would use about 250 000 gigajoules a year (equivalent to 6,8-million litres of diesel), making it the biggest user on the new line.

The pipeline's hydrogen-rich gas replaces coke oven and corex gas previously used by Steelforge at its Pretoria West furnaces.

Sasol GM Wilhe Rossouw said one of the main advantages for Steelforge was a continuous supply which maintained a regular temperature in the furnaces.

The contract between Steelforge and Sasol Gas includes a provision to supply pipeline gas to another division in Pretoria West — Presco — from August. Presco will use the gas for its new ferrosilicone plant.

Various other facilities will make use of Sasol Gas products.

Steelforge GM Chris Kotze said he expected output to increase once the system was operational.

Sasol Fibres defends request for protection

By Shirley Jones

(183) CT (BR) 7/5/96
KVAZULU NATAL EDITOR

Durban — Sasol Fibres defended its application for protective duties on acrylic fibre imports yesterday. The application has angered major textile producers throughout South Africa

Michael Bouchier, the managing director of Sasol Fibres, said the plant produced a comprehensive range of fibres for the South African industry and one of the widest selections offered by a fibre producer internationally

He was responding to allegations that Sasol Fibres' Prospecton plant, launched in 1992 using a second-hand plant from France, was uncompetitive, outdated and incapable of producing the range of product or quality demanded by South African textile manufacturers

Sasol was under fire from the manufacturers who said the company acted in bad faith by promising it would not request protection when the project was launched in 1992. Bouchier said Sasol's pledge was based on the understanding that effective anti-dumping measures would be in place

He said Sasol Fibres also found itself in a unique situation, having to pay duties on chemical inputs not manufactured locally. It exported 65 percent of its production to 20 countries without any export incen-

tives. The company paid a tax on exporting when wharfage charges were levied, said Bouchier.

He said criticism of the R320 million spent creating only 270 jobs was unfounded.

"Sasol Fibres was launched as a R320 million project. The end-of-job cost was R369,5 million, which was probably R200 million below the value of the plant if it were erected as a greenfield construction."

Bouchier argued against the textile industry's allegations that Sasol's technology was outdated. He said they used the latest technology and were more up-to-date than many companies exporting to South Africa. He said Sasol Fibres' dyed acrylic product and facilities were the most advanced and gave South Africa's textile industry the chance to be internationally competitive.

According to the textile industry, Sasol's plant had been mothballed for at least 18 months before being brought to South Africa in 1991. It used a batch process, while the international trend was towards the more efficient, continuous process.

Bouchier said a new industry was developing around Sasol Fibres and was likely to expand.

The textile manufacturers said the plant was tooled up mainly for producing dyed fibre, for which major manufacturers with their own state-of-the-art dyeing facilities had little use.

Lion Match expands sales and cuts costs

CT (BR) 7/5/96 (183)

By John Sherrocks

Durban — Lion Match lifted attributable earnings by 39 percent to R36,3 million in the year to March 31 on a 10 percent increase in trading profit to R29,9 million

Attributable earnings were R26,1 million in the comparable period last year and trading profit was R27,1 million

Earnings a share rose 39 percent to 80,1c (57,5c) and a final dividend of 22c lifted total distribution for the year to 33c compared with 24c the previous year

Terry Turner, the managing

director, attributed the improved results to cost-cutting, higher investment returns, lower tax payments and a 5 percent increase in sales

"We were pleased with the increase in sales. You must remember that we were working off a bigger base. Last year we had exceptional sales in exports and we continue to operate in a very competitive domestic market. The rand will help for the future," Turner said

"I am very pleased that we were able to turn improved efficiency and stringent cost-cutting into a 10 percent trading profit"

He said the company would sit on its R213,6 million cash surplus

"It is earning its keep. We are making full use of the money to the benefit of all shareholders, but that is not to say that should the right opportunity come along we will not act"

High unemployment and a slowdown in economic growth would hurt consumer spending

"Nevertheless, local consumer demand for our products is expected to be maintained and this, together with further progress in exports, should enable an increase in earnings and dividends"

plant had been lodged by the Member of the Executive Council for Finance and Expenditure of the Eastern Cape and not the Minister of Justice under whose jurisdiction the personnel under investigation falls. According to the Commission, acting Judge Browde had, however, ruled that as long as a complaint was made by a Minister of the Cabinet or a member of the Executive Council of Province, the Commission would consider it without reference as to whether or not it concerns that particular Minister's or MEC's department. In the opinion of the Commission the investigation had therefore been legally conducted on a proper complaint by the above-mentioned MEC.

(3) no transparency and openness to the Commission's investigations are already provided for in the fact that hearings take place before the Commission. The Commission also indicated that it has no objection to informing any interested party on the state and extent of investigations which have been, or are being undertaken into any matter.

New questions

*1 Sen C R REDCLIFFE—Health [Question standing over]

Erection of electrified fences around SANDF bases

*2 Sen J SELFIE asked the Minister of Defence whether the South African National Defence Force intends erecting electrified fences around any SANDF bases in the Republic, if so, (a) around which bases, (b) why, (c) when and (d) what will be the estimated cost of erecting such fences?

S210E

The DEPUTY MINISTER OF DEFENCE

Electrified fences can be used in two ways to protect military bases or installations. First, they can be used to prevent intrusions by making use of the lethal characteristics of electric current. No South African National Defence Force bases or installations are pro-

ected in this way, nor is it intended to use this lethal mode in the future.

Second, the shock caused by an electrified fence when in non-lethal mode is used as a deterrent. This non-lethal mode is also used to operate alarm systems. The current is used to activate detection sensors thereby alerting guards. Various bases and installations are already protected in this manner and it is planned to extend this non-lethal system to other Army bases.

(a) The South African National Defence Force has the following number of bases protected by non-lethal electrified fences:

South African Army	13 bases
South African Air Force	1 base
South African Navy	2 bases

It is planned that the system will be extended to the following Army bases in the short term:

— 83 Technical Store Depot
— 1 SA Infantry Battalion
— 4 SA Infantry Battalion
— 8 SA Infantry Battalion
— 91 Ammunition Depot
— 5 Base Ordnance Depot

Long term planning includes a further 41 bases.

(b) The primary reason why electrified fences are used for the protection and safeguarding of National Defence Force equipment and interests is to deter would-be transgressors from accessing NDF property. By proclaiming the use of electrified fences by warning signs, fewer guards are required to protect NDF facilities. It therefore releases soldiers to perform their primary function of securing the sovereignty of South Africa and their secondary function of supporting the South African Police Services to maintain law and order.

(c) The timescales to implement electrified fences on the remaining installations are as follows:

— Short term phase to be completed in 1997/98 financial year.

— Long term phase to be completed in 2001/2002 financial year.

(d) The estimated cost of this Army project is R47 million for the short term phase and R40 million for the long term phase.

Senator J SELFIE: Mr President, unfortunately Senator Moorcroft has been called away on urgent constituency business, and I ask that questions three and four stand over until next week.

The MINISTER OF TRANSPORT: Mr President, I have been requested by the Minister of Environmental Affairs and Tourism to answer the question on his behalf. I have come here with the prepared answer. I assure you that the request has nothing to do with any events outside this room today.

The PRESIDENT OF THE SENATE: Order! It sounds very interesting. I think we should allow the hon the Minister to respond. [Laughter.]

The MINISTER: Mr President, it is a very short answer.

Fire at AECI factory: commission of enquiry

*3 Sen E K MOORCROFT asked the Minister of Environmental Affairs and Tourism:

Whether he intends requesting the appointment of a commission of enquiry into the fire at the AECI factory at Macassar in December 1995, if not, why not, if so, when?

S212E

The MINISTER OF TRANSPORT (for the Minister of Environmental Affairs and Tourism):

A meeting during which this issue was discussed with the interested parties took place on 23 April 1996 in Cape Town under the chairmanship of Deputy Minister H B Holomusa. It was the view of this meeting that a Commission of Inquiry should be appointed and proposed terms of reference were therefore also formulated.

This proposal will be submitted for consideration to Cabinet as the Cabinet has to advise the President on the appointment of such a commission.

The PRESIDENT OF THE SENATE: Order! The hon the Deputy Minister is with us, and I would like to welcome the hon the Deputy Minister on her first appearance in the Senate. I am sure it is definitely going to be followed by more successful appearances here. [Applause.] The hon the

Deputy Minister has a choice as to whether she wants to respond to this question or not. It seems to me the hon the Deputy Minister is eager and very willing to do so.

The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS: Mr President, it is true that I am eager and willing to answer the question, since we have prepared the answer to the question.

Building of oil refinery in Saldanha/Vredenburg area (183)

*4 Sen E K MOORCROFT asked the Minister of Mineral and Energy Affairs:

Whether his Department has been approached by any company wishing to build an oil refinery in the Saldanha/Vredenburg area, if so, (a) by which company, (b) what was the nationality of the company, (c) when was the approach made and (d) what was his or his Department's response thereto?

Hans and 9/5/96

The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a), (b), (c) and (d) On the basis of information available to me, neither the Department nor any of the state corporations in the CEF group of companies has ever been approached by any company wishing to build an oil refinery in the Saldanha/Vredenburg area. Nobody has approached SFF even to store or procure crude oil on behalf of any company intending to build a refinery in the area.

Value of cargo stolen from airport container depots

*5 Sen W F MNISI asked the Minister of Transport:

(1) What was the total value of cargo stolen from airport container depots in (a) 1994 and (b) 1995,

(2) whether any efforts are being made to reduce such thefts, if not, why not, if so, what efforts?

S214E

The MINISTER OF TRANSPORT:

(1) The securing of cargo at airports is an airline responsibility and the Department of Transport does not hold statistics on the value of cargo stolen from airport con-

service institution but an educational therapeutic institution with the emphasis on reform. Therefore an atmosphere of a school must be retained.

Over and above more special security personnel should be employed so that the child care workers play less of a security role and become more of house father figures.

(4) Western Cape Education Department

Yes, security matters enjoy ongoing evaluation and attention with a view to addressing changing needs in this regard. Issues pertaining to security matters concern staff establishments, training of personnel and structural upgrading of facilities when required.

Mpumalanga Education Department

Yes. Provision of more security personnel in the schools will be made taking into account the Department's budget for 1996/97.

Places of safety: awaiting trial children

25 Sen M G E WILEY asked the Minister for Welfare and Population Development

(1) How many (a) awaiting-trial children placed in places of safety in terms of the Correctional Services Act, 1959 (Act No 8 of 1959), have escaped, and (b) (i) assaults, and (ii) other serious crimes have been reported by the staff of such places of safety, since the promulgation of the Correctional Services Amendment Act, 1994 (Act No 17 of 1994),

(2) whether his Department's budget will provide for the upgrading of such places of safety so as to cater for the increased influx of children following the promulgation of the said Amendment Act, if not, why not, if so, what are the relevant details,

(3) whether he will make a statement on the matter?

S47E

THE MINISTER FOR WELFARE AND POPULATION DEVELOPMENT

(1) (a) No awaiting-trial children are placed in places of safety in terms of the Correctional Services Act, 1959 (Act

partment of Foreign Affairs to make such representations. Questions (1)(i) and (1)(ii) therefore fall away.

(2) Falls away.

Visits abroad by minister

29 Sen J SELFE asked the Minister of Correctional Services

(a) How many days in 1995 did he spend outside the borders of the Republic, (b) what was the (i) purpose, (ii) destination, (iii) duration and (iv) cost of each visit and (c) who accompanied him in each case?

S51E

THE MINISTER OF CORRECTIONAL SERVICES

(a) 36 days

(b) (i) Taipei—World league for freedom

Atlanta, USA—ACA conference and visit to American Correctional facilities

Reunion Islands vacation

(ii) Taipei

Atlanta

Reunion Islands

(iii) Taipei—eight days

Atlanta—19 days

Reunion Islands—nine days

(iv) Taipei—Private

Atlanta—R231,582,95

Reunion Islands—Private

(c) Taipei—Mrs Mzimela

Atlanta—Mrs Mzimela and two advisers

Reunion Islands—Mrs Mzimela

Motor vehicles owned by Department

31. Sen W F MNISI asked the Minister for Welfare and Population Development.

(a) How many motor vehicles are currently owned by his Department, (b) what is the total estimated value of these vehicles, (c) what percentage of such vehicles are currently in use, (d) how many motor vehicles were purchased during the latest specified period of 12 months

for which information is available and (e) what amount was spent in each month during the period 1 January 1995 up to the latest specified date for which information is available on (i) fuel for and (ii) the maintenance of motor vehicles owned by his Department?

S53E

THE MINISTER FOR WELFARE AND POPULATION DEVELOPMENT

(a) The Department has 14 vehicles on a loan basis, assigned by the Gauteng Province,

(b) the estimated value of the above-mentioned vehicles is R250 000,

(c) 100% (all 14 vehicles),

(d) no vehicles have specifically been bought for the Department and

(e) (i) and (ii) the Department pays an all inclusive tariff per kilometre which includes fuel for, and maintenance of the vehicles. An amount of R71 535,65 was paid to the Gauteng Province for the period of 1 April 1995 up to 29 February 1996

April 1995	R 9 985,75
May 1995	R 4 882,25
June 1995	R 2 924,88
July 1995	R 7 939,26
August 1995	R 1 471,40
September 1995	R 2 439,48
October 1995	R 4 252,37
November 1995	R 7 751,04
December 1995	R 9 793,61
January 1996	R 6 502,77
February 1996	R13 592,84

Illegal immigrants: entries/repatriations

55. Sen Dr G W KOOKORONG asked the Minister of Home Affairs.

(a) How many illegal immigrants (i) (aa) entered South Africa and (bb) were repatriated to their countries of origin during the period 1 January 1995 up to the latest specified date for which information is available and (ii) are estimated to be in South Africa currently, (b) (i) what control measures (aa) has the Government instituted and (bb) does it plan to institute to control the influx of illegal immigrants and

Hansard

Hansard

(5) 14	(7) 100 003,95
(6) 16	(8) 47 290,36
(7) 25	(9) 27 504,66
(8) 18	(10) 61 483,04
(9) 6	(11) 19 839,33
(10) 14	(12) 10 765,34
(11) 6	(13) 40 825,03
(12) 11	(14) 39 154,42
(13) 8	(15) 20 674,17
(14) 7	(16) 8 461,92
(15) 3	(17) 27 275,27
(16) 6	(18) 23 795,85
(17) 9	(19) 66 665,78
(18) 8	(20) 134 583,18
(19) 44	(21) 21 678,70
(20) 37	(22) 28 786,80
(21) 9	(23) 5 065,21
(22) 14	(24) 7 391,96
(23) 6	(25) 57 982,24
(24) 15	(26) 13 881,29
(25) 9	(27) 18 699,47
(26) 9	(28) 25 977,93
(27) 3	(29) 16 022,88
(28) 20	(30) 31 481,18
(29) 6	(31) 17 744,31
(30) 20	
(31) 7	

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(d) [(1)-(3) Minister and his staff]
 [(4)-(5) Minister]
 [(6) (31) Officials]

Retail cost in rand

- (1) 59 671,46
- (2) 35 532,26
- (3) 44 809,14
- (4) 16 026,68
- (5) 48 070,87
- (6) 90 410,16

235. Mr W A BOTHA asked the Minister of Mineral and Energy Affairs +

Price determination of petrol/diesel/paraffin

(a) What criteria are used in the monthly price determination of (i) Petrol, (ii) diesel and (iii) paraffin. (b) what were the relevant figures that were taken into consideration in (i) December 1995, (ii) January 1996 and (iii) February 1996 in respect of such price determinations and (c) what price determination is projected in each case for the end of March 1996? N429E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

- (a) Economic factors, as well as changes to other elements in the price formula, determine the monthly price adjustment
- Economic factors*
- The South African refineries sell their products at prices which would be paid if such products were imported from Singapore or Bahrain (the In Bond Landed Cost—IBLC). The IBLC is designed to be an arm's length method of determining prices for refined products thereby ensuring that local refineries operate as efficiently as their international counterparts
- Fluctuations in the international price of fuel and the rand/dollar exchange rate are recorded on a daily basis and averaged monthly by CEF (Pty) Ltd. The other elements (see below) change infrequently
- The monthly calculations by CEF (Pty) Ltd are checked and confirmed by a firm of Chartered Accountants
- (1) Petrol
- Economic factors*
- (1) The average monthly prices at Singapore Petroleum Company (SPC), ESSO and Mobil refineries in Singapore and the Caltex refinery in Bahrain, allocated as follows: 20% of SPC, Singapore daily postings (i.e. a term contract), 20% of ESSO, Singapore daily postings, 20% of Mobil, Singapore daily postings, 20% of Caltex, Bahrain daily postings, 20% of daily Singapore spot prices (i.e. for cash and immediate delivery) as published by Platts,
- (2) transport costs from Singapore and Bahrain to South Africa,
- (3) the rand/dollar exchange rate
- Other elements*
- (4) Zone and service differential. The country is divided into zones and the retail price of fuels may differ from zone to zone. This is because of the cost of transport from refineries at the coast to inland depots (the zone differential) and the cost of inland depot storage and delivery from depots to retail suppliers (the service differential)
- (5) The equalisation fund levy. This fund was initially created to finance the premium payable during the international oil crises. It now finances the synthetic tariff protection of Sasol and Mossagas and funds under-recoveries on the "state" when required (see (12))
- (6) Fuel tax. State Revenue, which, in South Africa's case, is low by world standards
- (7) Customs and excise duties. State Revenue which forms part of the normal customs tariff
- (8) Multilateral Motorvehicle Accident Fund (MMF) levy. Financing of the Third Party Insurance Fund
- (9) Central Road Safety Fund (CRSF) levy. Financing of the National Road Safety Programme
- (10) Wholesale margin. The return on marketing assets of the oil company as wholesaler. It is based on a "rate of return investment analysis" by an independent financial analyst. The benchmark return, agreed between the oil companies and government, is 15%, pre-tax and pre-interest payments. This is regarded as fair and reasonable considering the risk and nature of the industry and as compared with similar returns in other companies. A regularly reviewed calculation is carried out by chartered accountants under contract to the Department of Mineral and Energy Affairs
- (11) Retail margin. This is the retailer's share of the proceeds of the petrol price to cover profit and direct costs, based on a cost-and-profit-analysis, also conducted independently
- (12) The balance on the state account in respect of each product. As the IBLC varies from month to month, an over- or under-recovery results. The balance of the state account is directly affected by this, and an increase or

7

7

decrease in the petrol price is effected to adjust the balance

(ii) Diesel,

Economic factors

(1) The average monthly prices at SPC, ESSO and Mobil refineries in Singapore and Caltex refinery in Bahrain, as follows 20% of SPC, Singapore daily postings, 20% of ESSO, Singapore daily postings, 20% of Mobil, Singapore daily postings, 20% of Caltex, Bahrain daily postings, 20% of daily Singapore spot prices as published by Platts,

(2) transport costs from Singapore and Bahrain to South Africa,

(3) the rand/dollar exchange rate,

Other elements

(1) zone and service differential,

(5) the equalisation fund levy,

(6) fuel tax,

(7) customs and excise duties,

(8) Multilateral Motorvehicle Accident Fund (MMF) levy,

(9) Central Road Safety Fund (CRSF) levy,

(10) wholesale margin,

(11) retail margin,

(12) the balance on the state account in respect of each product

(iii) Paraffin

Economic factors

(1) The average monthly prices at SPC, ESSO and Mobil refineries in Singapore and Caltex refinery in Bahrain, as follows 20% of SPC, Singapore daily postings, 20% of ESSO, Singapore daily postings, 20% of Mobil, Singapore daily postings, 20% of Caltex, Bahrain daily postings, 20% of daily Singapore spot prices as published by Platts,

(2) costs to transport product from Singapore and Bahrain to South Africa,

(3) the rand/dollar exchange rate,

Other elements

(4) zone and service differential,

(5) the equalisation fund levy,

(6) wholesale margin,

(7) the balance on the state account in respect of each product

(b)(i), (ii), (iii), (iv) and (c) The figures taken into consideration in determining fuel price adjustments over the period December 1995 to March 1996 were as follows

Note FOB = Free on Board, CIF = Cost, Insurance, Freight c/litre = cents per litre, c/gallon = cents per gallon

1) Petrol (average price for the month, at the coast)

	December 1995	January 1996	February 1996	March 1996
80% of postings at	50,799	49,151	47,609	49,616
SPC	48,415	46,080	44,350	45,050
ESSO	51,025	50,890	47,510	47,695
Mobil	51,475	48,595	47,350	48,335
Caltex	52,280	51,040	51,220	57,385
20% of spot	50,800	49,150	47,610	49,615
Average FOB US c/gallon	50,799	49,151	47,609	49,616

FOB (US c/litre)

R/\$ exchange rate

FOB (SA c/litre)

Freight

Insurance

CIF

Ocean leakage

Landing & wharfage

In Bond Landed Cost (IBLC)

Service differential

Equalisation fund levy

Fuel tax

Customs & excise

MMF

CRSF

Wholesale margin

Wholesale price

Zone differential

Retail margin

Unit over/(under) recovery

Retail price

FOB (US c/litre)	13,355	12,922	12,516	13,044
R/\$ exchange rate	R3,6660	R3,641	R3,7110	R3,901
FOB (SA c/litre)	48,959	47,056	46,449	50,898
Freight	3,634	3,898	4,423	4,792
Insurance	0,053	0,051	0,051	0,056
CIF	52,646	51,006	50,924	55,746
Ocean leakage	0,158	0,153	0,153	0,167
Landing & wharfage	0,871	0,838	0,827	0,906
In Bond Landed Cost (IBLC)	53,676	51,996	51,903	56,819
Service differential	4,767	5,100	5,100	5,100
Equalisation fund levy	9,400	9,400	9,400	9,400
Fuel tax	62,900	62,900	62,900	62,900
Customs & excise	4,000	4,000	4,000	4,000
MMF	9,000	9,000	9,000	9,000
CRSF	0,200	0,200	0,200	0,200
Wholesale margin	14,058	14,058	14,058	14,058
Wholesale price	158,000	156,654	156,561	161,477
Zone differential	0,200	0,200	0,200	0,200
Retail margin	18,100	18,100	18,100	18,100
Unit over/(under) recovery	0,033	0,307	(0,480)	(5,777)
Retail price	176,333	175,261	174,381	174,000
The adjustments to the retail price (in cents per litre) were determined as follows				
Unit over/(under) recovery	0,033	0,307	(0,480)	(5,777)
Fuel tax increase				(6,200)
CRSF levy into fuel tax				0,200
Equalisation levy reduced				3,000
Total decrease/increase	0,033	0,307	(0,480)	(8,777)
State balance (R million)	17,4	22,7	27,0	18,4
Price decrease/(increase)	1 cent	1 cent	0	(8 cents)

(ii) Diesel (average price for the month, at the coast)

	December 1995	January 1996	February 1996	March 1996
80% of postings at	57,211	64,825	63,814	66,077
SPC	56,926	64,089	65,184	64,139
ESSO	55,432	64,846	61,924	68,086
Mobil	56,713	63,577	61,830	64,280
Caltex	59,774	66,788	66,317	67,804
20% of spot	57,210	64,825	63,815	66,075
Average FOB US c/gallon	57,210	64,825	63,814	66,077
FOB (US c/litre)	15,059	17,063	16,797	17,393
R/\$ exchange rate	R3,6660	R3,6417	R3,7110	R3,9019
FOB (SA c/litre)	55,208	62,136	62,355	67,863
Freight	4,125	4,424	5,021	5,439
In warehouse	0,060	0,067	0,068	0,074
CIF	59,393	66,628	67,443	73,377
Ocean leakage	0,178	0,200	0,202	0,220
Landing & wharfage	0,983	1,106	1,110	1,208
In Bond Landed Cost (IBLC)	60,554	67,934	68,755	74,805
Service differential	4,767	5,100	5,100	5,100
Equalisation fund levy	8,000	8,000	8,000	8,000
Hotel tax	55,400	55,400	55,400	55,400
Customs & excise	4,000	4,000	4,000	4,000
MNH	5,800	5,800	5,800	5,800
CRSI	0,200	0,200	0,200	0,200
Whole sale margin	14,050	14,050	14,050	14,050
Wholesale price	152,770	160,484	161,305	167,355
Zone differential	0,100	0,100	0,100	0,100
Retail margin	11,900	11,900	11,900	11,900
Unit over/(under) recovery	(5,437)	(8,788)	(2,734)	(3,355)
Retail price	159,333	163,696	170,571	176,000

The adjustments to the retail price (c/litre) were determined as follows

	December 1995	January 1996	February 1996	March 1996
Unit over/(under) recovery	(5,437)	(8,788)	(2,734)	(3,355)
Fuel tax increased				(6,200)
CRSF levy into fuel tax				0,200
Equalisation levy reduced				3,000
Total decrease/increase	(5,437)	(8,788)	(2,734)	(6,355)
Slate balance (R million)	5,1	(22,5)	(55,7)	(77,8)
Price decrease/(increase)	(5 cents)	(9 cents)	(3 cents)	(7 cents)
80% of postings at	66,816	80,061	72,168	71,419
SPC	66,075	80,366	72,797	69,849
ESSO	65,103	77,626	73,310	72,801
Mobil	64,084	77,091	67,201	67,882
Caltex	72,002	85,162	75,362	75,143
20% of spot	66,815	80,060	72,170	71,420
Average FOB US c/gallon	66,816	80,061	72,168	71,419
R/\$ exchange rate	R3,6660	R3,6417	R3,7110	R3,9019
FOB (US c/litre)	17,578	21,063	18,986	18,789
FOB (SA c/litre)	64,443	76,698	70,453	73,306
Freight	3,880	4,161	4,722	5,115
Insurance	0,069	0,082	0,076	0,079
CIF	68,392	80,941	75,250	78,501
Ocean leakage	0,205	0,243	0,226	0,235
Landing & wharfage	1,147	1,365	1,254	1,305
In Bond Landed Cost (IBLC)	69,744	82,549	76,730	80,041
Service differential	11,767	12,100	12,100	12,100
Equalisation fund levy	7,000	7,000	2,667	0,000
Whole sale margin	14,262	14,262	14,262	14,262
Unit over/(under) recovery	102,773	115,911	105,759	106,403
Wholesale price	(8,010)	(12,829)	3,385	3,027
	94,763	103,082	109,144	109,430

The adjustments to the retail price (in cents per litre) were determined as follows

Unit over/(under) recovery	(8,010)	(12,829)	3,385	3,027
Equalisation levy suspended/(reinstated)		7,000		(4,000)
Total decrease/increase	(8,010)	(5,829)	3,385	(0,973)
Slate balance (R million)	(24,5)	(30,8)	(38,7)	(38,1)
Price decrease/(increase)	(9 cents)	(6 cents)	(3 cents)	(1 cent)

Debt burden of the former Venda/Lebowa/ Gazankulu

237 Mr A FOURIE asked the Minister of Finance †

What is the total debt burden that has been taken over by the central Government from the governments of the former (a) Venda, (b) Lebowa and (c) Gazankulu?

N431E

The MINISTER OF FINANCE

In terms of section 239 of the Constitution of South Africa, Act No 200 of 1993, as amended by Act No 44 of 1995

(a) Loan debt	R1 647 million
Guaranteed debt	R 92 million
Total	R1 739 million
(b) Loan debt	R371 million
Guaranteed debt	R 43 million
Total	R414 million
(c) Loan debt	R184 million
Guaranteed debt	R 35 million
Total	R219 million

Debt balances on the books of the former governments at the time that their accounts were closed

- (a) R124 million
(b) R119 million
(c) None

Demand for water in the PWV/Cape Town/ Port Elizabeth/Durban areas

240 Mr P W SAAIMAN asked the Minister of Water Affairs and Forestry.

- (1) Whether his Department has made any

assessment of the demand for water in respect of each of the next three years in the (a) PWV, (b) Cape Town, (c) Port Elizabeth and (d) Durban areas, if not, why not, if so, what amount of water will be required for (i) domestic, (ii) industrial and (iii) agricultural purposes in each of these areas in each of these three years.

(2) whether his Department has taken or intends taking any steps to secure an adequate supply of water in these areas, if not, why not, if so, what steps?

N434E

The MINISTER OF WATER AFFAIRS AND FORESTRY

- (1) Yes

(a)(i), (ii) and (iii) PWV

The PWV is being supplied by Rand Water with water from the Vaal River System. The demands from the Vaal River System is given in the following table

User	Demands (million m ³ /a)		
	1992	2000	2010
Rand Water	1 020	1 761	2 924
WTvI Regional Water Co	62	66	77
Goudveld Water	75	86	114
Eskom	229	267	338
Other industries and towns	249	360	527
Irrigation upstream of Bloemhof Dam	405	424	438
Irrigation downstream of Bloemhof Dam	425	498	520
Total	2 465	3 462	4 938

(2) Yes. The existing infrastructure (dams and inter-basin transfer schemes) will supply the full water need of the Vaal River System until the end of 1997 when the Lesotho Highlands Water Project (LHWP) will start to deliver water. Phase 1 of the LHWP will satisfy the growth in water demand until 2006, when a new scheme will have to be implemented. The Vaal Augmentation Planning Study has recently been completed to determine the best scheme and the indications are that this will probably have to be a scheme from the Tugela River. Rand Water has already started with a water conservation campaign in its supply area to reduce ensuring a more efficient use of water resources.

- (1) (b)(i), (ii) and (iii) Cape Town

The Western Cape System Analysis has recently been completed. It was a comprehensive study that looked at the existing schemes and methods to meet the demand. The demands projected by the study were

User	Demands (million m ³ /a)		
	1995	2000	2005
Domestic and industrial	296	351	407
Irrigation	75	115	140
Total	371	466	547

- (2) Approval for the implementation of Palmiet Phase 1 scheme was given in February 1995. This will be sufficient until about 1997. The Skurfram Feasibility Study is currently being done and a decision is expected in the second half of 1996. The Cape Town City Council has started a water demand management campaign to reduce the demand from current users.
- (1) (c)(i), (ii) and (iii) Port Elizabeth Metropolitan Area
- The estimated annual water demands of the Port Elizabeth area are summarised in the following table for each of the major consumption sectors

Year	Water demand (106 m ³ /a)			Total
	Domestic	Industrial	Agriculture	
1995	46	31	0	77
1996	48	32	0	80
1997	50	33	0	83
1998	52	34	0	86
1999	53	36	0	89
2000	55	37	0	92

(2) Based on the completed studies listed in the following table it is estimated that the next scheme to augment the water supply to the Port Elizabeth area should be in place before the end of 2003

Year	Name of study	Status
1994	Algoa Water Resources System Analysis	Completed
2005	Algoa Water Resources Analysis	Completed
1994-1997	Orange River Project Replanning Study	In progress

Many different options of augmenting the future demand and supply situation have been considered including water transfers from the Van Stadens, Groot, Kouga, Krom, Sundays and Tsitsikama Rivers. It is also essential that a water demand management campaign should be lodged in the area to make users aware of the limited water resources available and should be aimed at both the urban and agricultural sectors.

The Orange River Project Replanning Study which is scheduled for completion during 1997 will provide important direction on which augmentation options to implement first.

- (1) (d)(i), (ii) and (iii) Durban

The Department recently completed a comprehensive system analysis study, which included demand and resource investigations for the Mgeni River System, the main source of water supply to the Pietermaritzburg/Pietermaritzburg/Durban metropolitan complex. In this study the current demands from the system were assessed as follows

New-look oil industry in the pipeline

183

MTG (P2M) 10-16/5/96

The possible creation of a large player in the oil industry has provoked both praise and criticism
Mungo Sogot reports on the scheme

THE creation of a huge South African oil company is firmly back on the agenda of those in government quietly plotting a new-look oil industry

The scheme originally involved a link-up between Engen, Sasol Oil, and the state's bag of oil assets, but government sources said this week that Total SA could also be part of it.

The idea of a "South African National Oil Company" (Sanoco) has popped up several times over the past year as a possible key feature of a revamped oil industry. But its government backers have never discussed it openly.

"They have flouted the so-called transparency of the new government and kept their plans to their dark, smoke-filled rooms. Is it because they are afraid this massive plan has no industrial merit?" asked one industry commentator. And the companies involved have either refused to comment or expressed reservations.

The plan, hatched in the Trade and Industry Department, was initially dismissed by stock exchange analysts and most senior oil company officials as being rooted in impractical, misplaced nationalism.

The scheme then gained more credibility, with others in government — including the Finance Department — planning reforms of an industry geared to sanctions-busting and keeping foreign oil companies happy. Some deregulation of the intricate rules which guarantee oil companies their margins and keep out new players is likely.

So those who believe South Africa cannot be left to the mercy of the international oil majors in a deregulated market say it is the answer

"There is a strong rationale for having a large, maverick player in the industry," said one of the scheme's government backers this week.

But last August they had to put their plans on ice just as the first phase of the scheme was about to fall into place. Sasol Oil and Engen appeared poised to merge, then Total SA, which jointly owns the Natref oil refinery with Sasol, spoiled the party.

The French-owned company said Sasol's quiet reshuffling of its stake in the refinery ahead of the merger had given it a pre-emptive right, so it and Sasol put the matter up for arbitration in London.

Last week Sasol said it and Total SA had resolved the matter, but were tight-lipped on the terms of the agreement. Government sources have confirmed analysts' speculation that Total SA was pacified by being included. The sources said the resolution of the dispute had resuscitated their plans.

Neither Engen nor Sasol would confirm whether they had restarted merger talks, but one analyst said "You can bet they have."

The merger would be particularly beneficial to Sasol as it would give it an entry into the retail market. At present, in exchange for the oil companies guaranteeing to buy Sasol's synthetic fuel, Sasol stays out of retailing.

Asked about the status of talks, Sasol communications manager Alfonso Niemand said that after settling the dispute with Total, Sasol was "considering its options."

Engen company secretary Douglas Evans said the logic for Engen's involvement with Sasol Oil remained, but the company would have to



Fuelling the flames: The notion of a South African National Oil Company has gained credibility in state circles

PHOTOGRAPH HENNER FRANKENFELD

"review where matters lie" eight months on. Senior Total officials could not be reached for comment.

Other oil industry players have either rubbished Sanoco or expressed concern that such a big player would be a threat in a deregulated market. They are particularly keen to know the state's role in the proposed company — not surprising considering their long-standing opposition to the subsidies handed to Sasol and Mossgas.

They also want to know what the state's stake in such a company would be. Indirectly, government has a 23% stake in Sasol. And the scheme's planners hope to include the state oil companies housed in the Central Energy Fund (CEF), although they say these are not central to their plans. The CEF companies include

Mossgas, which could be sold this year, and the state oil trading company, the Strategic Fuel Fund.

The government officials behind the scheme appear unfazed by the opposition, which includes some of the senior officials of the very companies they want to merge.

One said this week that even if the companies' managements were wary, there was a lot of "commonality" among their shareholders. Gencor is a major Engen shareholder and Rembrandt is a big Total SA shareholder.

But this determination is perceived as government meddling by industry players who want a much reduced state presence. This suggests Sanoco's pushers could face an uphill struggle exposing their plans to the cold light of day.

Soaring Sasol under fire over subsidy

(183) Star 11/5/96

By WILLEM STEENKAMP

One of the more bizarre anomalies of the Government's current financial policy is the fact that the state is using millions of rands of taxpayers' money to subsidise a listed private company which made a pre-tax profit of nearly R3-billion last year.

And what is even more bizarre is that more than 500 000 shares in the company are held by foreign investors - which means South African taxpayers effectively are subsidising foreign investors who, in any event, receive a substantial dividend from the company.

The company in question is Sasol, one of the wealthiest oil companies in the world, set up with taxpayers' money at a time when sanctions and the limited availability of crude oil made the establishment of a local synfuel industry vitally important. But the sanctions have now fallen away, crude oil is readily available and Sasol has paid off the loans used to fund Sasol Three.

The South African Petroleum Industry Association (Sapia) believes the playing field should

now be levelled and the subsidy stopped. Sasol's share price has jumped from R27 in December last year to R41 this week. And because the company's subsidy from the government is calculated on a dollar crude oil price, Sasol's subsidy has effectively increased by more than 20% in recent times because of the fall in the value of the rand.

The local petroleum industry buys petroleum from Sasol at a similar price to the landed cost of the international refined product. But because Sasol is situated in Gauteng, fuel companies which buy the fuel here have to pay a further 10c a litre for the Sasol product. This 10c a litre represents what it would cost to pipe the refined product from the coast to Gauteng. So, although Sasol is based in Gauteng and fuel does not have to be piped here, oil companies still have to pay 10c more a litre for Sasol fuel. This gives the company a further major financial advantage.

Colin McClelland, director and spokesman for Sapia, which represents all the major oil companies in South Africa (except

Sasol), told the *Saturday Star* that Sasol had "somehow convinced" the Government to continue subsidising it even though it was now a private company with private shareholders.

"In December last year the question of further subsidies to Sasol was discussed by the Government. At that stage Sasol's loans had been paid and the

It is unfair taxpayers have to subsidise a private company, to the benefit of that company and its shareholders

company had a couple of billion rands in the bank. It was and is financially sound and there was no reason to extend the subsidy.

"But Sasol indicated it would have to close down if it did not receive the subsidy. They also indicated they would support some downstream petroleum industries and the Government then agreed to continue the subsidy, although it will be phased

out over a number of years.

"Much was also made of the fact that Sasol saves the country R6-billion in foreign exchange annually, but it must be remembered they are a private company which made a before-tax profit of nearly R3-billion on a turnover of about R12-billion last year. Sasol would still make a substantial profit without a subsidy," said McClelland.

"Look, we realise Sasol is a tremendous asset to the country. If it were in dire financial straits and its very future at stake, we would not oppose a subsidy, provided this was repaid to the taxpayer when Sasol's situation improved.

"But at the moment Sasol is a private company with private shareholders - many thousands of shares held by foreigners. It is quite unfair that the taxpayers, including the poorest of the poor who are bulk users of paraffin, have to subsidise a private company to the benefit of that company and its shareholders," said McClelland.

Sasol spokesman Alfonso Niemand said Sasol found Sapia's comments in connection with

the subsidy "tedious" as the Cabinet had resolved the issue in December last year after "a long and transparent process".

Niemand said the Cabinet's decision was based on an independent study by Arthur Andersen which found that tariff protection for synfuels was justified, but had to be phased out over a period of three years.

"We see their decision as harsh, but believe the Cabinet took a considered decision in the best interests of the country. Sapia's criticism of the Cabinet is most inappropriate."

Niemand said the tariff protection Sasol currently received was "very modest" compared with the help afforded to other local manufacturing industries.

"Sasol's synfuels underpin the rand by earning R5,6-billion per annum in foreign exchange. Sasol also provides 59 000 jobs directly and indirectly. He added: "Why do foreign oil companies persist with their attacks on tariff protection when the issue has been resolved? They claim the issue is of national interest, but is there perhaps another motive?"

Caltex to spend R100m on Milnerton refinery

Samantha Sharpe

BD 13/5/96

(183)

CAPE TOWN — Caltex will spend about R100m on the upgrade of its Milnerton refinery during a 45-day shutdown lasting until May 26.

Caltex spokesman Niall Kramer said at the weekend that while the refinery would normally have produced about 2,5-million barrels of petrol, diesel and jet fuel over a 45-day period, there had been no lost production. The shutdown was part of a routine maintenance programme, which meant Caltex had had time to stockpile before production ceased.

Kramer said the upgrade would not increase capacity at the refinery, but it would help reduce its environmental impact, improve safety standards and increase efficiency. About R23m would be spent primarily on reducing catalyst discharge into the atmosphere, with R30m targeted at the refinery's cat-cracker, to help create higher value products.

An additional R30m would be spent on modifications to the refinery's reformer, with R40m aimed at a full inspection of wear-and-tear and corrosion at the site. The inspection would also evaluate mechanical integrity at the refinery, which was licensed to produce up to 100 000 barrels a day.

"Peak numbers of contractors on the shutdown will run to 800, with a further 1 700 working on capital projects," he said.

Energy agency calls for study on Mossgas' future

(183) (PR) CT 14/5/96

By Tim Hepher

Paris — The International Energy Agency yesterday criticised a South African decision to expand the Mossgas oil-from-gas facility and called for independent research into the plant's future

The cabinet agreed in March to allow Mossgas to begin developing satellite gas fields needed to keep it going beyond May 1997. Analysts said at the time the decision was aimed at winning time to find a buyer for the plant.

The agency, of which South Africa is not a member, said that by committing the Mossel Bay fields to Mossgas, the government had limited the options for its only significant gas resource.

"We are slightly disappointed to see what further gas there is committed to Mossgas as part of the privatisation, as it reduces other options," Robert Priddle, the agency's executive director said, presenting a 200-page report commissioned by Pik Botha, the outgoing minister of energy.

The report urged the government to launch an independent study into whether Mossgas should continue to produce synthetic fuel now that apartheid barriers had been dropped.

"Mossgas reflects the need of the past, which was to supply security in a siege economy," Priddle said.

Botha said in March that the "first prize" would be if a foreign investor bought Mossgas, converted it to produce methanol and developed downstream petrochemical industries.

South Africa said in December

that it would seek a buyer for Mossgas and phase out subsidies to Sasol.

The agency called the lower subsidies a "step in the right direction" and supported their full elimination.

The agency, set up in 1974 to monitor the West's own energy policies, welcomed South Africa's moves to get rid of massive state secrecy over energy policies left by apartheid. But it urged the government not to drag its feet over urgent decisions.

These included financing for the electricity industry, which the government wants to expand so 72 percent of the population have access to the grid by the next century.

"South Africa generates over half the electricity on the African continent, though the majority of its own people have no access to grid electricity," the agency said.

It urged the government to free up access to coal, which dominates South Africa's energy system. The current system allows coal reserves to be hoarded by companies for their book value rather than developed promptly, agency officials said.

The agency said it was recommending talks between the state and private coal companies which were not prepared to develop coal seams within a "reasonable period" to make way for new entrants.

Barbara Masakela, the South African ambassador to France, declined to comment on the idea, but told the same news conference that South Africa's needs as a whole had to be addressed by energy reforms — Reuter.

Caltex to reduce emissions as part of upgrade programme

From Reuter

(183) (183) CT (BR) 14/5/96

Cape Town — Caltex South Africa was spending R93 million on a scheduled upgrade that would last 45 days, Terry O'Donovan, a company spokesman, said yesterday

He said the upgrade, which began last month, was part of the company's triennial maintenance and inspection programme. It would also involve the installation of pollution equipment to reduce emissions, he said

Inspecting the refinery for wear and tear and corrosion would cost about R40 million

A further R23 million would be

spent on the installation of electro-static precipitators to reduce pollution. Increasing the output of value-added products would cost R30 million

The refinery would normally produce 2,5 million barrels of petrol, diesel and jet fuel in 45 days. O'Donovan said that the lost output had been made up through building up stockpiles

He said that 525 000 barrels of petrol and jet fuel had been imported, mainly from Europe and the Middle East to meet the shortfall which could not be met with the stockpiles

Caltex South Africa is a unit of Caltex Petroleum, a fifty-fifty joint venture between Chevron and Texaco

Gas project tops talks with Nujoma

183

A trade co-operation agreement with a strong emphasis on major gas projects aimed at providing jobs for Namubians and South Africans is likely to be reached between the two countries.

President Nelson Mandela and visiting Namubian counterpart Sam Nujoma discussed the Kudu Gas Project yesterday. Outgoing Mineral and Energy Affairs Minister Pik Botha and his Namubian counterpart Andimba Toivo ya Toivo held separate talks to discuss the finer details of the project and how it can benefit both countries.

Nujoma arrived in SA yesterday for a three-day state visit, his first since he became president and SA became a democracy.

Mandela yesterday awarded Nujoma the Order of Good Hope - a presidential honour to visiting heads of state.

When Nujoma arrived in SA yesterday for a four-day state visit he was met at Cape Town international airport by Mandela and welcomed with a 21-gun salute. An earlier state visit by the Namubian president was cancelled when Mandela was admitted to a Johannesburg clinic for medical tests.

Today Nujoma is scheduled to address a joint sitting of Parliament and visit Robben Island before departing for Gauteng, to be hosted by Premier Tokyo Sexwale.

- Political Correspondent

Star 14/5/96

"Last financial year Sasol group exports, which include mainly chemicals, surged by 126% to R1,74bn, compared with the previous financial year. Also taking the rand's fall into consideration, we project a further 44% export revenue growth to about R2,5bn for the current financial year."

The rand/dollar profit formula relates to all dollar-related products manufactured by the group. These include fertiliser and chemicals sold on the local market, with rand prices relative to dollar-based import parity pricing. Local consumers should brace themselves for price increases as Sasol passes the effect of the low rand on to the market. In the case of synfuel, motorists are paying an effective 22c/l more than two months ago — and Sasol is indirectly reaping the benefit with the rest of the oil industry.

With the reduction of Sasol's tariff protection rate — from US\$21,40/barrel to \$19/barrel from January 1 — the synfuel giant will lose R150m pre-tax in the year to end June 1996. "This calculation is based on crude oil and international refined product prices prevailing at the time when Cabinet made its decision," says Niemand. Since then, the rand has dropped dramatically.

Meanwhile, Sasol has started a "transformation process" at Sasol Synthetic Fuel to meet the challenge of the gradual reduction in tariff protection. The aim is to introduce, apply and use more efficient and cost-effective technologies," says Niemand.

First confirmation of the transformation came when Sasol announced this week that it will have six of the latest, highly efficient Sasol Advanced Synthol reactors in production by February 1999, at a cost of R820m. The reactors — the first of which will be operational by May, 1998 — will replace 16 ageing synthol reactors, producing about 150 000 BPD of liquid fuels at the two Secunda plants.

Niemand says "Though each of the new reactors has a higher yield than the existing reactors, we have no intention of increasing production now. Similarly, our product range and selectivity will remain unchanged. We will save on operating and maintenance costs."

Should Sasol ever decide that increased output is warranted, he adds, this could become a reality, subject to debottlenecking the downstream refinery operation. "The new reactors will provide the flexibility to increase production, should this be warranted." ■

SASOL (103)

RIGHT CHEMISTRY

FM 10/5/96

Petro-chemical giant Sasol will gain at least R900m on pre-tax revenues should the rand sustain its 20% fall against the dollar for the year. This is based on a formula that it will gain R150m on each 10c drop in the value of the local unit, says group spokesman Alfonso Niemand.

DUNDEE

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

THURSDAY, MAY 16 1996

Shell and Swawek at odds over size of Kudu gas fields reserves

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — Shell Exploration and Swawek, the Namibian power utility, are at loggerheads over the extent of gas reserves at the Kudu gas field off the coast of Namibia. Leake Hangala, the managing director of Swawek, said at a trade and investment seminar yesterday that the reserves of the natural gas at the Kudu field were about 10 trillion cubic feet.

He said that while the dry gas reserves in the Kudu field, operated by Shell Exploration and Engen,

were initially estimated at 3 trillion cubic feet, seismic investigation had shown the figure to be closer to 10 trillion cubic feet. He called the discovery "one of the largest deposits ever found".

But Ger Kegge, the managing director of Shell Exploration and Production Namibia, which operated the exploration licence, called Hangala's comments "optimistic". He said the possibility of such reserves existed, but it remained to be proven.

He said Shell was moving towards proving the 3 trillion cubic feet of reserves, which would make

the development of the field commercially viable, but indicated there was potential for more gas.

"If things work out it is possible that we have a very significant gas accumulation in the area of Kudu," he said.

The figure of 10 trillion cubic feet far exceeds recent projections of the size of the Kudu gas discovery, which lies 4 000m below sea level and 130km off southwest Namibia.

In March, Shell Exploration said that it preferred not to speculate on the size of the reserves until the oil company had completed drilling Well 4 in July. It reacted negatively

to a Business Report article that said the field could be as large as 14 trillion cubic feet.

Hangala said that South Africa was the immediate market for Namibia's gas. Following talks between Swawek and Eskom on Tuesday, he said gas and electricity could be transported to South Africa. A formal agreement has yet to be signed.

One possible project is the construction of a 1750 megawatt combined-cycle gas turbine generator to satisfy the increasing electricity demand from the Western Cape. The supply of the gas would

require a 550km pipeline. Hangala said a power plant would consume 2,7 trillion cubic feet over a 30-year period, but that Namibia would also develop gas-intensive industries, steel production and fertiliser production.

Hidepo Hamutenya, the Namibian trade and industry minister, said that those drilling are convinced that there were sizeable deposits of gas that could fulfil the energy needs of the whole region.

But he observed that the sticking point for the moment was the question of the market. Hamutenya said that before Shell developed the field

"it wanted to be assured it had major consumer".

"The government of Namibia keen that the reserves are developed sooner rather than later", realise downstream opportunities in the petrochemical industry and support new industries as well as the export market, said Hamutenya. "But we believe that South Africa keen to benefit from Kudu gas".

Speaking at the seminar, Namibian President Sam Nujoma called on South Africa to invest in Namibia's two large electricity projects, the Epupa plant and the Kudu gas fields project.

Economic

JSE performance

CG Smith raises operating profit

Jacqueline Zaina

FOOD, packaging and pharmaceuticals group CG Smith raised headline share earnings 15% to 75c in the six months to March after operating efficiencies widened margins and investments generated interest. The interim dividend was set at 18,2c (1995. 16c).

Chairman Derek Cooper said consumer demand had slackened in the quarter to end-March, resulting in an 8% turnover growth to R12,8bn. However, he said, operating profit improved by 10% to reach R1,09bn, as a result of cost containment.

Trading margins had increased to 8,6% from 8,4% in the same period the year before, which was substantial at the group's sales levels, he said.

A focus on asset management resulted in net interest income of R7,7m compared to payments of R17,7m a year before, leaving pre-tax profit before abnormal items up 13% at R1,1bn. Abnormal items of R5,7m reflected the profits on disposal of land and buildings.

A tax bill of R386,6m (R355,3m), following a reduction in the effective tax rate to 35% from 36,3%, translated into a 9% rise in taxed profit to R723m. Attributable earnings were 9,7% higher at R359,4m.

CG Smith Foods, which contributed 32% of the group's headline earnings, lifted headline earnings per share 20% to 243,6c. An

interim dividend of 55,5c was declared, 18% higher than in the same period the year before.

The company, in which CG Smith has an 80% stake, lifted turnover 5% to R8,9bn, reflecting reduced consumer demand and restrained pricing by its operating companies, in some instances as a result of foreign imports.

Operating profit increased 11% to R655,2m, helped by operating efficiencies and improvements in sugar production.

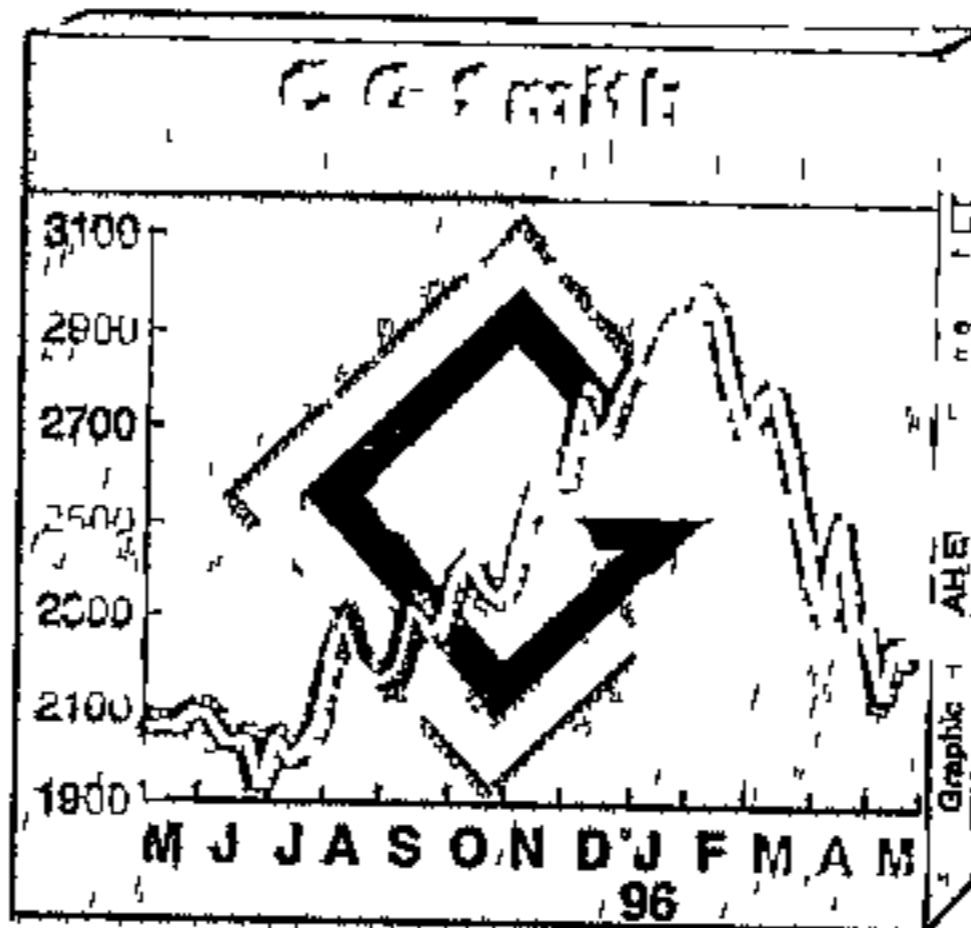
Cooper said that CG Smith had cash available of R618,3m for investments and aimed to strengthen its asset base through international investment opportunities. But

it had delayed its offshore investment plans following the recent currency crisis.

The weakening of the rand would affect raw material input costs in the packaging division, although not in the short-term.

However, it provided a degree of protection against food imports in particular. In addition, the group's exports through operating companies Langeberg, Beacon and Illovo offered a valuable hedge against the softer rand.

Cooper said CG Smith Foods would be hard pressed to maintain the current earnings growth rate for the full year if the slowdown in consumer demand persisted, but CG Smith anticipated real growth in headline share earnings.



New hope for the fuel industry

M+C (BM) 12-23/5/96 (183)

Mungo Soggot

FUEL industry players hope the African National Congress's takeover of the Mineral and Energy Affairs Portfolio, following the National Party's exit from government, will speed up reform in the sector.

"There is probably going to be more action and less politicking," and "there should be fewer, somersaults — Penuell Maduna won't have to be looking over his back the whole time," were the typical comments from a snap poll this week.

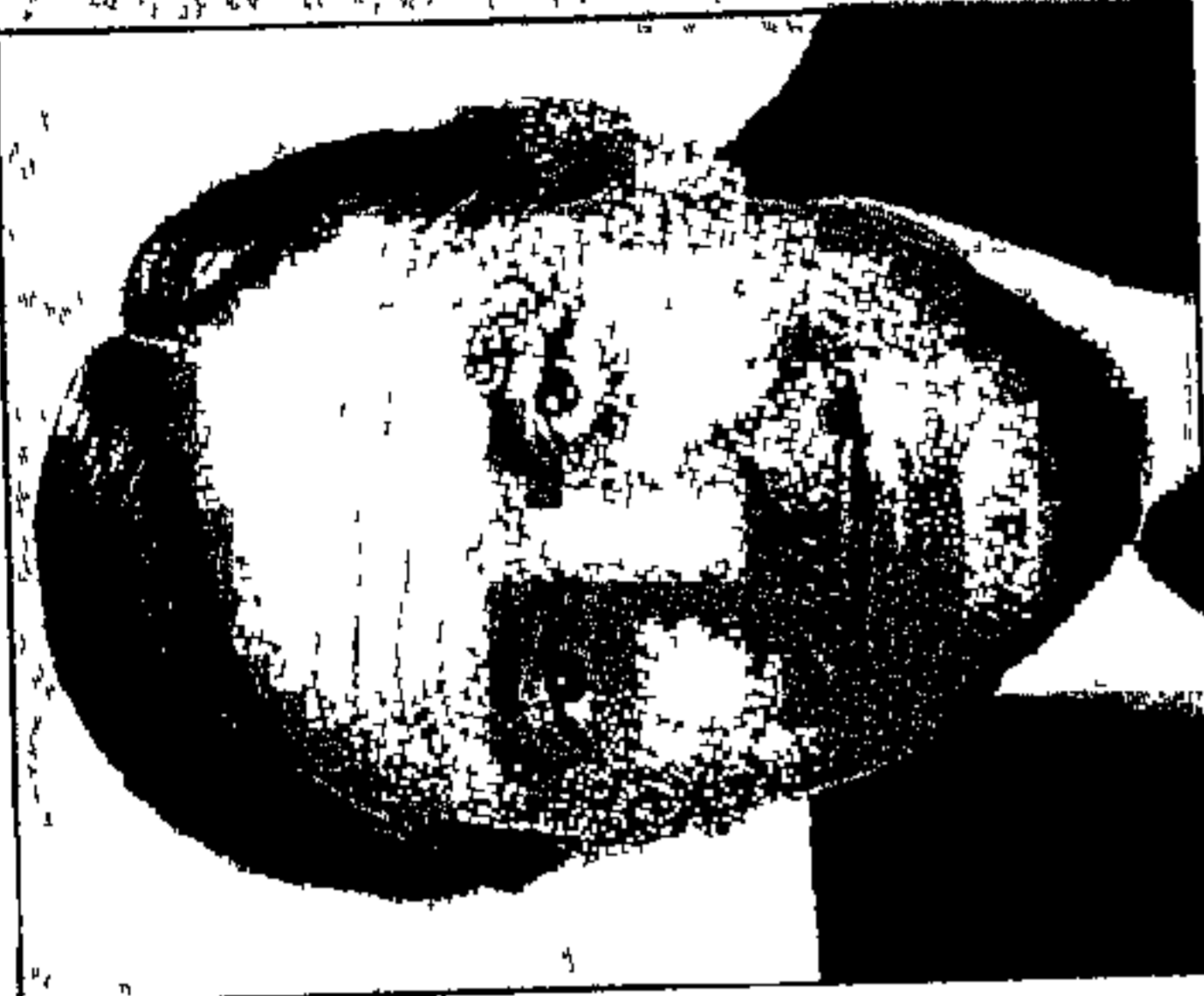
Pik Botha's charm and political agility were not enough to push through the massive energy policy changes needed to bring South Africa's fuel industry out of the dark ages. As a high profile NP minister with an exclusively NP team, until the recent appointment of Susan Shabangu as deputy minister, he was

often politically paralysed.

It was a tough battle raising the crucial support needed from the Finance and Trade and Industry Departments, which have stepped up their involvement in the industry, particularly the sale of Mossgas. A three-man team, including special advisers Charles Stride and Paul Jourdan from the Finance and Trade and Industry Departments, and Mineral and Energy Affairs Director General Gert Venter, steer policy on the industry.

The NP stigma also meant the department felt obliged to negotiate and consult with every interest group or "stakeholder" in sight, making swift decision impossible.

Botha's department of 25, all NP, is badly understaffed — a senior official recently noted that United States Energy Secretary Hazel O'Leary's entourage on her trip to South Africa last year was larger. And those that



Pik Botha: An extraordinary career

restrictions spawned by the sanctions era. These include fixed margins for fuel retailers, who are protected from excessive competition by the rationing plan that bars new entrants to the retail market.

■ To PAGE B2

P.T.O.

...per preference share
...and 250c per ordinary share

Sasol plans new strip mine near Vaal River

David McKay

SASOL Mining is planning to extend its Sigma coal mine with a new strip mine near the southern banks of the Vaal River to replace the underground section of the Sigma Colliery, which has been losing production because of geological faults.

The petrochemical and coal-mining group said yesterday that the green light for the plan hinged on the completion of an environmental impact study and geological mining studies. The new strip mine would be phased in over a three-year period if approved.

Sasol Mining would begin earthworks on the new strip mine in July next year, with commercial production commencing about three months later. There was no indication of how much the development of the new strip mine would cost as this would be established only once the Sasol board approved the project.

Sasol Mining, a division of Sasol Ltd, has

BD 21/5/96 (183)

been experiencing reduced coal volumes from its underground operations the last five years. Coal production from the underground section fell by nearly half during the period, with only 3,4-million tons expected this year.

The proposed new strip mine, Sigma North West, would also supplement production from Sigma Colliery's Wonderwater strip mine.

A spokesman for the group said no firm decision on retrenchments at the underground section had been taken. But full-scale mining operations at the new strip mine would employ about 200 to 300 people.

"The impact on the manpower situation will be addressed in collaboration with employees and their representative trade unions," he said.

He did not rule out the possibility of relocating existing personnel to the group's Secunda mining operations.

"The investigation into a new strip mine is based on ensuring a viable future for Sasol

Chemical Industries in Sasolburg which employs almost 3 000 people," he said

All the coal produced from Sigma Colliery is used to supply the operations division of Sasol Chemical Industries, which uses about 7-million tons of coal a year to produce a range of more than 100 value-added petrochemicals, some of which earn several hundred million rands in foreign exchange a year.

The planned environmental impact assessment would be conducted by Walmsley Environmental Consultants, the spokesman said.

EXECUTIVE SUITE



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Food firms hit by higher costs and reduced spending

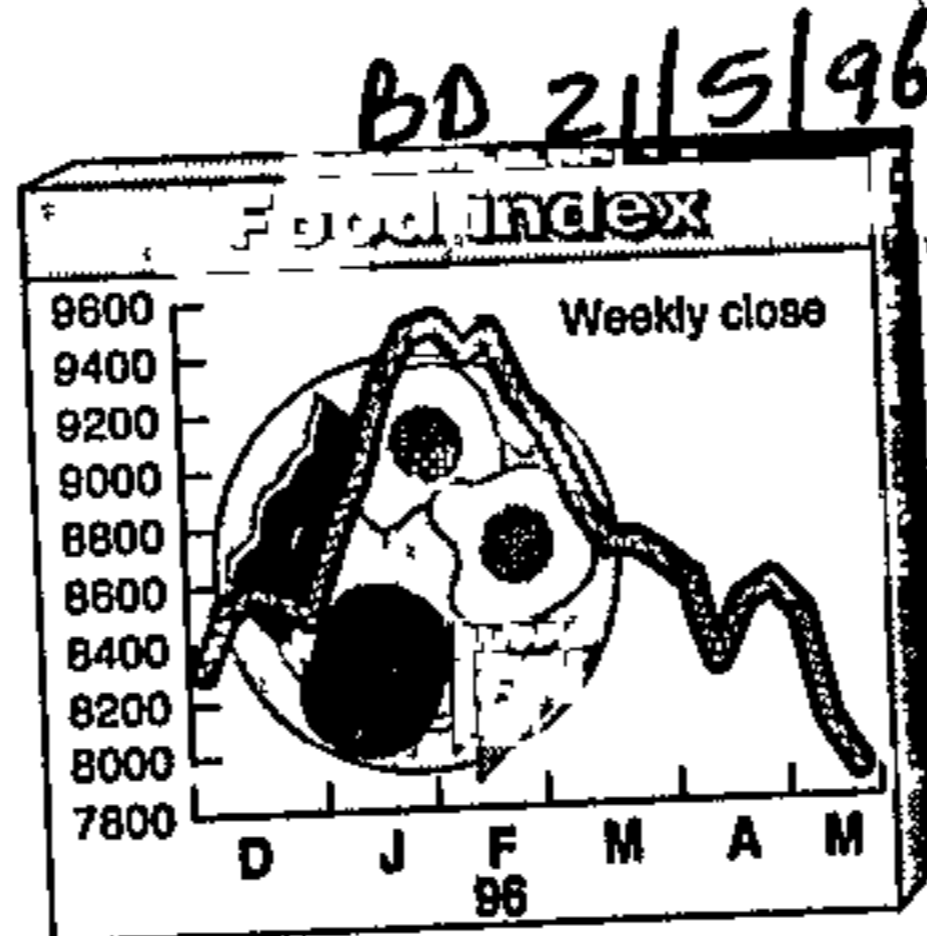
Jacqueline Zaina

THE JSE's food index, which has lost 25% of its value since the beginning of April, is expected to decline further this year as a result of higher input costs and additional constraints on consumer spending.

The index, which touched an annual high of 10 420 on March 29, closed at 7 838,5 yesterday.

BoE NatWest Securities senior analyst Syd Vianello said consumer-related shares, which usually grew in line with population growth, were not expected to perform well following the two recent interest rate hikes. The fall-off in these sectors, which included stores, was a function of the weakening of the economy.

While higher grain prices on the world market could strengthen the index by boosting food companies' foreign earnings, they would increase pressure on already constrained consumer spending, he said. This, together with the threat of growing unemployment, would further restrict



growth in the food sector.

Shares with strong export revenues such as Delfood, Tiger Oats subsidiary Langeberg and Illovo Sugar were expected to outperform the sector, but the outlook for most food producers would not improve until interest rates started falling, he said.

Another analyst said increased competition from importers and foreign food companies, which were gaining market share, was also squeezing margins. Whether this was a long-term issue was unclear, but it had tarnished investor perceptions of local food

companies' ability to grow.

Premier Food CE Gordon Utian said last week that it was too soon to quantify the effect of the interest rate hikes, but the outlook for the food sector was not positive. Inflation was gathering, interest rates and the petrol price were up, and the implementation of the new Labour Relations Act would add to costs.

"Consumers will be hard hit by price increases as companies are squeezed at the manufacturing level. We are expecting a difficult period."

Utian said consumers at the lower end of the market were exposed to higher levels of inflation than the general 7%, because a greater proportion of their income was spent on transport and basic foodstuffs.

While it was too soon to quantify the impact of recent economic developments on Premier Food's earnings, the company was "not an island", he said. Although it was in a recovery phase, it remained prone to the vicissitudes of the SA economy.

Division MD is replaced

Jacqueline Zaina

ERNST & Young is to reshape its management consultancy arm, replacing the division's MD and retrenching part of its 300-strong workforce.

Executive chairman Tom Wixley said yesterday the management consulting services (MCS) division had been underperforming, and the shake-up was part of a shift in focus from information technology consulting.

MD Gerry Baron had been replaced by Jan Venter, who would lead a small executive management team. Wixley said that it had become clear since Venter took over on May 1 that the division's financial results had been poorer than expected. The previous structure had led to delays in the decision-making process because of differing opinions.

"While the restructuring process will inevitably involve retrenchments, the MCS division will emerge leaner and more effective in addressing client needs," Wixley said.

Baron would leave E&Y shortly, and MCS partner Paul Matulovich had also decided to leave.

Wixley said Venter would build a market-driven, national practice, providing solutions to underperforming business and companies needing to catch up with global trends.

Anglo seeks toe-hold in Zaire

David McKay

ANGLO American's plans to invest \$100m in mining projects in Zaire could be an attempt to secure a toe-hold for future projects including gold and diamonds, industry analysts said yesterday.

The central African nation has been touted as, geologically speaking, one of the richest countries on earth, with huge resources of copper and cobalt from the Kitango copper belt, as well as resources of diamonds, zinc and possibly gold.

However, analysts said that Zaire had poor levels of infrastructure which had hamstrung attempts to export minerals through Zaire's main city, Kinshasa. Anglo recognised the difficulty of mining in the country, analysts said, but the company was increasing its presence in Zaire as it expected the situation to improve.

The group also did not want another mining house such as Australian rival Broken Hill Proprietary to pip it to the

post. Anglo was, therefore, "putting down markers", one analyst said.

Another analyst said that Anglo was interested in access to the Kitango copper belt.

The Financial Times reported at the weekend that Anglo and its new bed-fellow in Zaire, American Mineral Fields, were ready to invest money in reopening the 80 000 tons of zinc a year Kipushi mine and the Kolwezi tailings reclamation mine, owned by the state mining company Gecamines.

The two would share the immediate costs equally and be 50-50 partners in this project and others in Zaire.

The low-cost Kipushi mine, near the border with Zambia, was closed in 1993 due to lack of foreign currency. It also produced gold, silver, cadmium and germanium before it closed in 1993 due to lack of foreign currency.

An Anglo spokesman said the plans were still under negotiation. Only after the completion of a due diligence would a contract be signed with American Mineral Fields, he said.

Energy Africa strikes oil off Angola

Samantha Sharpe

CAPE TOWN — Oil and gas exploration and production group Energy Africa has made a new commercial oil discovery off the Angolan coast.

The find was on Block 2/92, which Total Angola operates on behalf of a partnership of Total (40%), Angolan national oil company Sonangol (25%), South Korean company Daewoo (18,75%), Pedco (6,25%) and Energy Africa (10%).

Energy Africa technical director Adrian Nel said yesterday it was too soon to forecast the find's full potential, although it had been declared a commercial discovery in terms of an agreement with Sonangol.

He said initial testing had yielded a cumulative flow of 9 150 barrels of light crude a day, with further technical work needed before any develop-

ment cost estimates could be made.

Nel said Energy Africa was well resourced to finance its 10% share of development costs. The group recently reduced by \$250m the potential capital expenditure and exploration costs of its Kudu gas discovery after farming out 60% of its quarter share to Texaco Namibia Resources.

Energy Africa MD John Bentley said he was pleased with the discovery only six months after farming-in. Another well would be sunk this week and two more were planned later this year.

"This is an exciting discovery, which reinforces our confidence in the highly prospective western Africa region, where the group's exploration is primarily focused," said Bentley.

Energy Africa's interests in Angola also included a 15% interest in Block 1, with a 50% interest in Block 7, pending formal government approval.

Pharmacists attack mail order medicines

Jacqueline Zaina

(183)

BD 22/5/96

DEMANDS by some medical aid schemes that members buy certain medicines by mail order posed serious health risks, the Pharmaceutical Society of SA warned yesterday

Society executive director Ivan Kotze said a survey among pharmacists had shown mail order medicines for illnesses such as epilepsy, diabetes or blood pressure often arrived late or not at all.

Medical schemes often insist customers buy such drugs through mail order, which enables mail order companies to negotiate bulk purchases with manufacturers to bring down retail costs

But of the 147 pharmacists the society surveyed, 44 rated the risk associated with such ordering as dangerous, with 49 rating it highly risky.

Kotze said the society would now commission a one-year study and an independent risk rating to back up its initial findings

"This is the most serious aspect of our concerns about mail order pharmacy, because in treating chronic illnesses like epilepsy, diabetes or blood pressure problems, continuity in the medicine supply is vital," Kotze said

"Medicine is not a normal commodity and we don't think that the health risk involved in postal supply can be justified by the few cents which it saves the customer"

There was also no control over patients buying mail order medicines and other drugs, such as cold remedies, over the counter which could interact.

Medical aid administrator Pharmaceutical Benefit Management marketing director Rodney Cowlin said mail order pharmacies were able to discount medicines by 30-35%, compared to the 15-30% offered by retail pharmacists

But the old relationship with the community pharmacist, which had facilitated the monitoring of the patient's drug consumption, had been lost

The company was not against mail order supply, but recognised there could be difficulties relating to it. However, the decision lay with individual medical aid schemes, which often gave patients the option of where to source their medicine

The Representative Association of Medical Aid Schemes said it was concerned, but would await definitive findings

Executive director Declan Brennan said the mail order sector did not rely only on postal distribution, but made extensive use of courier services. Patients suffering from chronic ailments knew weeks in advance to order additional medication, which meant suppliers had sufficient time to deliver, he said

Refiners criticise industry regulation

Edward West

(183) BD 23/5/96

GOVERNMENT had to deregulate the fuel market fully or timeously honour its fuel pricing agreements as oil refiners could no longer operate under current conditions, SA Petroleum Industries Association (Sapia) chairman Mike Rademeyer said yesterday.

Launching the association's first annual report — a significant break from the secrecy surrounding the industry — he said SA needed clear gov-

ernment policy and the go-ahead for the industry to operate in a free and open environment. Government was dragging its heels on implementing its fuel pricing policy, to the detriment of refiners whose after-tax return on assets in the year to June was 6,8% — the lowest level in five-and-half years.

A fuel industry analyst said oil refiners were being squeezed between rising cost structures and govern-

Continued on Page 2

Fuel

(183) BD 23/5/96

Continued from Page 1

ment's unwillingness or inability to raise wholesale margins by the 3c/l requested by the oil industry in terms of fuel price agreements.

Another analyst said although the industry benefited from state protection — SA's service station infrastructure was luxurious even by First World standards — "a lot of spare fat" remained. Nevertheless, Sasol's synfuel levy made playing fields uneven.

Rademeyer said Sasol was expected to receive R600m-R700m in subsidies this year. "The industry refuses to accept quietly continued taxpayer sub-

sidisation of an already profitable privately owned, quoted company."

Sasol said it found Sapia's continued attack on synfuel protection "tedious". The Cabinet had resolved the issue in December, announcing the phasing down of tariff protection for synfuels over three-and-a-half years.

Rademeyer said refiners secured their own crude and had little to do with the state crude oil procurement agency. "We don't see any role for the state fuel fund except managing strategic fuel stock ... it's wrong for government to speculate in oil trading."

A fund spokesman said the fund had been an international oil trader since 1990, contributing to state funding. "We have the assets and skills. We must use them to best advantage."

Senior oil executives bare their souls to the press

Petrol industry delights in new openness

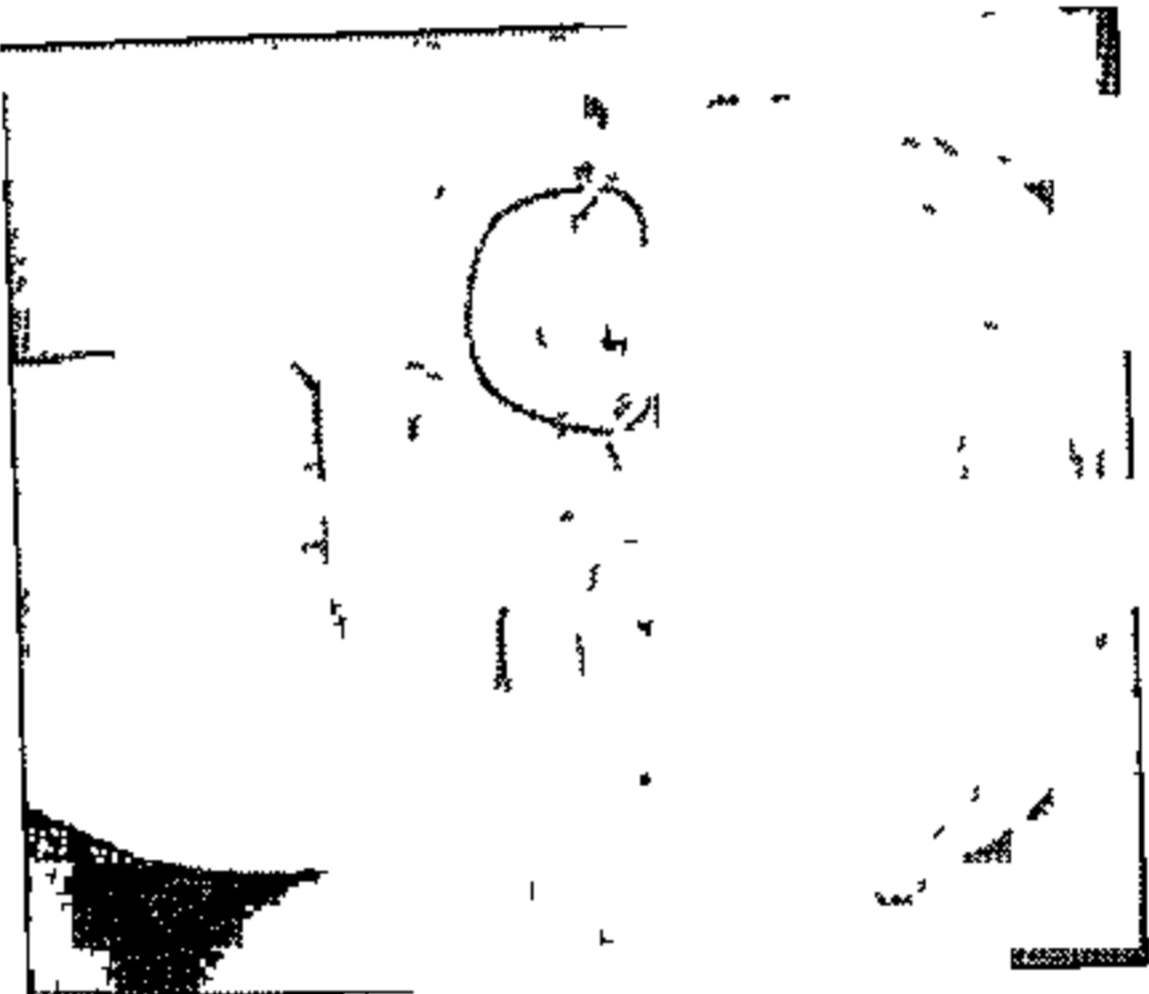
By Fiona Leney

Johannesburg — The South African Petroleum Industry Association wants to make up for years of secrecy under the apartheid regime, it said yesterday at the presentation of its first annual report to the media.

The senior oil industry executives channing the meeting insisted on barring their souls to the press and giving details of crude oil suppliers, quantities and costs.

The change was startling, especially because until recently oil executives were forbidden by official secrets legislation from revealing any figures to outside sources, said Fred Phaswana, the chairman of BP Oil Africa Region.

"When we held meetings with sources, they had to sign official secrets documents undertaking not



REVEALING Mike Rademeyer, the chairman of the South African Petroleum Industry Association

to reveal those figures outside the meeting.

"If we sent documents contain-

ing figures to an outside source, the numbers had to be blanked out," Phaswana said.

The association's members include Caltex Oil South Africa, Shell South Africa, Engen, BP Oil Africa Region, Total South Africa and Zenex Oil.

Mike Rademeyer, the chairman of the association, was happy to reveal officially that two-thirds of South Africa's 16,4 million tons of crude oil imports come from Iran.

The next biggest source of imports is the North Sea, with 1,4 million metric tons.

Until recently, such openness was illegal.

The association's members believe they can win themselves advantages by their new openness.

They said that only by informing the public of shrinking after-tax returns on their assets could they

kill the myth that they were the fat cats of industry. Though total assets rose from R6,8 billion to R14,1 billion between 1990 and last year, the after-tax return on those assets had been falling.

Since 1993, when the return stood at 12,3 percent, it had fallen steadily, reaching 7,8 percent in 1994 and 6,8 percent last year.

Rademeyer said this rate of return justified his association's request to the government to be allowed to increase the price of petrol by 3c a litre.

"These three cents, going directly into oil company profits rather than government coffers, would make a significant difference," he said.

"The increase would improve returns to around 15 percent from 1995's 6,8 percent."

Rademeyer said the govern-

ment had agreed that an after-tax return of between 10 and 20 percent was a fair profit margin for the industry.

"We desperately need some margin increase — 3c a litre pales into insignificance compared to the 16c a litre (the transport minister) Mac Maharaj has proposed, to finance road improvements," he said.

He said South Africa's petrol prices were among the lowest in the world, with only the United States and Indonesia offering cheaper fuel.

In 1994, members of the association contributed R15 billion to the nation's wealth, about 1 percent of GDP.

The association's members also collected 19,5 percent of South Africa's indirect taxes, its balance sheet showed.

Petrol industry calls for deregulation

CT(BR)-23/5/96 (183)

By Fiona Loney

Johannesburg — The South African Petroleum Industry Association called for the deregulation of fuel prices yesterday and renewed its attack on Sasol's synthetic fuel subsidies

In its first annual report, issued after years of secrecy, Mike Rademeyer, the new chairman, said the association was seeking consensus on the reshaping of the industry

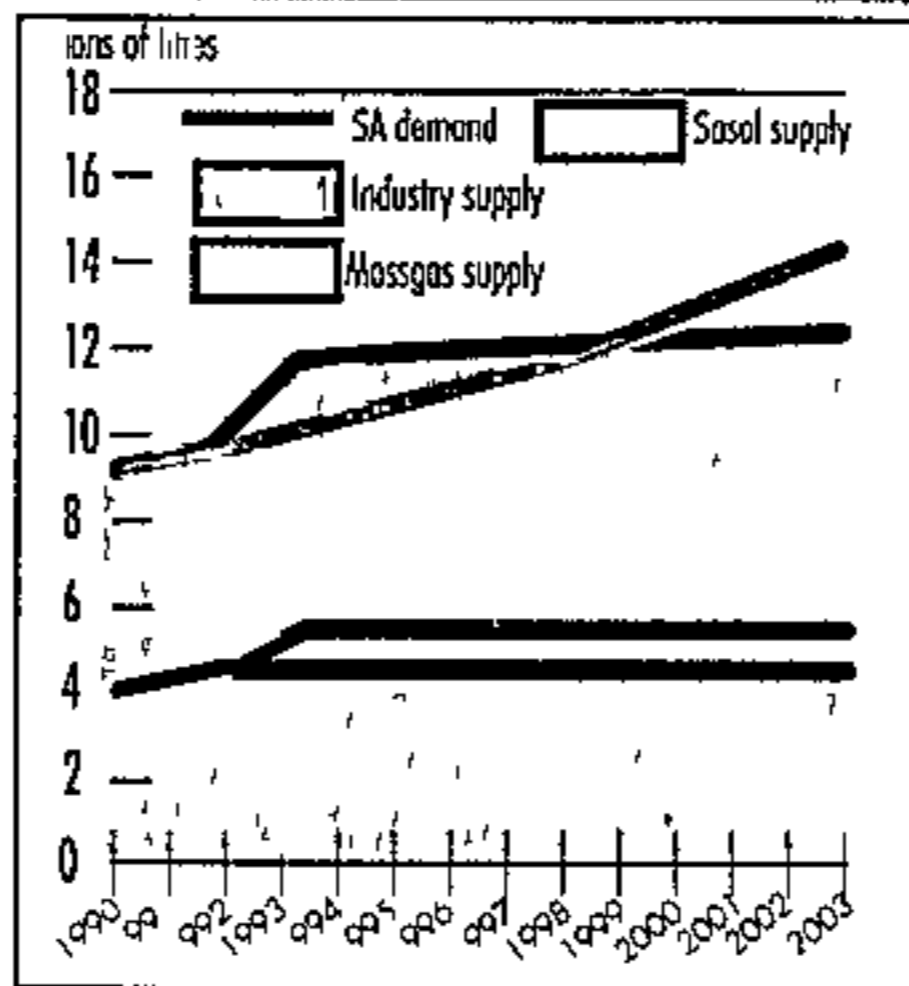
The association's members come from competing oil companies in South Africa

Rademeyer said that a clear government policy on the energy industry was lacking and called for the government to make a decision on scrapping fuel-price regulation

"We appeal to the government to either set us free or to apply existing rules fairly and consistently," he said.

Rademeyer said that while the association believed deregulation would benefit its members overall,

Petrol: supply vs demand



it was aware of the social and political dilemmas that the issue would cause the government Petrol stations could be forced to cut staff considerably to remain competitive after fuel price deregulation

But the report said that "in the long term, the process of deregulation would help create far more jobs than those lost, as the more competitive economy flourished"

Rademeyer blamed the common idea that the association sup-

ported regulation on the secrecy imposed by the apartheid regime

He said that increased competition would allow efficient suppliers to prosper "At least in the free market there is no limit to the amount of money you can make," he said

He said the association had asked the government for permission to increase petrol prices by 3c a litre to offset falling profit margins

"Taxes take 90c a litre of the fuel price," he said Of those, almost 7c went to fund Sasol's synthetic fuels programme Rademeyer acknowledged that the abolition of the Sasol subsidy, which had been one of the association's main campaigns, could prove politically sensitive

"Members are as supportive as anyone of Sasol It does save the country money and create jobs We wish to welcome Sasol as a full member and compete fairly with it. But this cannot be done as long as it is unfairly subsidised," he said

□ See Business Watch, Page 20

IN BRIEF

183 CWIU members strike

MEMBERS of the Chemical Workers Industrial Union (CWIU) are to go on a one-day general strike today in protest against the dismissal of 56 workers who took part in a one-day strike on April 16.

CWIU spokesman Mr Muzi Buthelezi said the union would hold marches countrywide.

The more than 50 dismissed workers were part of the April 16 demonstration by about 46,000 chemical workers in support of their demand for the establishment of a single bargaining council in the chemical industry, with overriding powers over sectional bargaining chambers.

Lawman 23/5/96

PANIES

Pharmaceutical merger may bring healthier base

By Ann Crotty

CONSUMER INDUSTRIES EDITOR

Johannesburg — The merger of Adcock Ingram and Premier Pharmaceutical will create a pharmaceutical group with an annual turnover of more than R1 billion and an operating profit of about R300 million, sources said yesterday

Though Adcock Ingram has a far larger asset base and a broader range of products, both companies generate similar levels of profit and their shares enjoy similar ratings on the JSE

The joint caution the two groups issued yesterday has confirmed months of market speculation that they are involved in merger discussions

Analysts believed the merger made sense because it would create a group that would be sufficiently large to compete effectively with the major international players making inroads into the South African pharmaceutical market.

They made specific reference to the number of Indian companies attempting to register their products in South Africa

However, industry sources

expressed surprise at the proposed merger and believed that it reflected a worldwide trend in the industry, which has had less expenditure on research and an increase in merger activity

Some players in the industry also believed that Premier Pharmaceutical's holding company, Premier, wanted to decrease its investment in the pharmaceutical industry

Adcock Ingram is considered the aggressor in the negotiations and its parent, Tiger Oats, is expected to emerge as the major partner. Analysts said this would provide Premier Group with the opportunity to generate much-needed cash.

Sources said there was considerable overlap in the two group's products, though each specialised in different segments of the market. Adcock Ingram was strong in the specialist level of the market and Prempharm was strong at the retail pharmacy level.

Market speculation also centred on Phil Nortier, the Prempharm chief executive, who was regarded as a strong manager but was said not to be moving into the merged entity

CT (OR) 24/5/96 (183)

Workers strike in the cities

(183) (152)
Ingrid Salgado

BD 24/5/96
THE Chemical Workers' Industrial Union staged a national strike in cities around the country yesterday in support of workers who were dismissed last month after a general strike to highlight demands for centralised bargaining.

An additional 150 workers were dismissed by Pretoria-based pack-

aging company Wrapsa yesterday, union president Abraham Agulhas said. This followed a Supreme Court order restraining the union from advocating a stayaway.

Agulhas alleged the company had used the interdict as a front for dismissing staff.

More than 80 workers were dismissed from Hilford Plastics in Cape Town, and East London-based companies Handy Moulding and Blue Marlin Fishing Rods, after last month's strike.

Agulhas said that Hilford Plastics had used the strike to dismiss 56 workers to whom it owed nearly R100 000 in back pay. He said the union could consider further action.

The chemical industry employers' caucus said yesterday's strike would jeopardise progress made towards centralised bargaining.

Strikers fired: more action mooted

(183) (183) ~~183~~ Star 24/5/96

BY ADAM COOKE

A one-day strike and a march by thousands of chemical industry workers to demand the reinstatement of dismissed colleagues is likely to lead to another - after about 150 strikers were dismissed yesterday

Speaking after what was described as a "very successful" day of protest, Chemical Workers' Industrial Union president Abraham Agulhas said the union would now have to look at future action.

"These (latest) dismissals are a pity because it is just causing another fight ... the sort of fight which this strike was hoping to resolve," he said

He said the Pretoria-based Wrapsa company had arrested the 150 strik-

ing workers for trespassing yesterday morning. They were released, later then sacked

Agulhas said they had already been served with final warnings

Wrapsa could not be reached for comment yesterday

About 5 000 workers turned up for the march in Johannesburg yesterday

They made their way from the Library Gardens to the Civic Centre in Braamfontein where a memorandum was handed to an employer representative

The actions are part of a campaign by the union for centralised bargaining

Employers have rejected the proposal as they wish to see a decentralised bargaining system in place

Sasol fuels reform debate

(183) MHG (DMM) 24-30/5/9

The issue of deregulation has pitted Sasol against the oil industry association, reports **Mungo Soggot**

SASOL says it is unlikely that government will be able to release the fuel industry from boycott-era regulations in the next five years because of a potentially huge impact on jobs

Managing director Pieter Cox also says he is not convinced immediate deregulation is a good thing — particularly if it is unplanned. He said the web of tight price regulations and marketing agreements that evolved during the sanctions era had given both motorists and the industry a good deal

The problem with deregulation, says Cox, is that it would probably lead to the retrenchment of many fuel-station employees and "intricate negotiation would have to precede any restructuring"

Cox, previously chief executive officer of Polifin, took over from Paul Kruger as managing director this month in a top-level shake-up after the death of chairman Joe Stegmann

His comments are in stark contrast to those of Sasol's crude oil competitors, which called for complete deregulation this week

Unveiling its first annual report, the South African Petroleum Industry Association (Sapia) said government should either scrap all regulations immediately or otherwise implement the existing regulations properly. The regulations give fuel wholesalers and retailers fixed margins — which was a boon for the oil companies when they got their margin increases

But over the past few months government has squeezed the oil companies by failing to heed their call for a 3c/litre hike in their wholesale margin to 17c/litre.

"Sapia believes it would benefit South Africa and the entire fuel industry if a new, sensitive government policy created a freer, more competitive and open environment."

Sapia chairman Mike Rademeyer also took the opportunity to say the oil companies were unwilling to compete with a subsidised Sasol. The subsidy will be phased out by 1999

The boycott-era regulations for crude oil producers were designed to entice



Headquarters: Sasol has undergone a top level shake-up

COMPUTER GRAPHIC VAL SING AND HENNER FRANKENFELD

them to stay and to offset the Sasol subsidies Sasol itself is barred from the retail market in terms of a contract with the oil companies obligating them to buy Sasol's synthetic fuel

Last year, Sasol Oil sought a tie-up with Engen to give it a

place in the retail market. The merger was stymied by Total SA, which claimed Sasol Oil had triggered a pre-emptive right for it in terms of the two companies' contractual agreement over the joint venture Natref oil refinery. The matter was put up for arbitration and resolved last month.

Cox was tight-lipped over settlement details but said Sasol would still consider a merger with Engen. He also said Sasol had had "dialogue" with government and other compa-



Pieter Cox

Gas synfuel plant in pipeline

SASOL is considering building a synthetic fuel plant using gas as a feedstock, says managing director Pieter Cox.

He said gas would cut out the expensive "gasification" step of Sasol's oil from coal synthetic fuel process.

Sasol, which provided the technology for the Moss gas fuel-from-gas plant, was keeping an eye on Mozambique's Pande gas fields and those off

the Namibian coast.

Cox said the construction of a gas synfuel plant — probably abroad near cheap gas resources — was increasingly likely given the continuing improvements in Sasol's synfuel technology.

But he said because of government's decision to phase out Sasol's tariff protection for synfuel production, it was unlikely to build another fuel-from-coal plant in South Africa.

panies over Sanoco — a national oil company supported by some in government. The company would include assets from Engen, Sasol and the Central Energy Fund. With the resolution of the Total dispute, there is speculation that Total could have been drawn into Sanoco talks

Following government's decision to phase out its subsidies, Sasol embarked on a major restructuring of its Secunda operation. Cox said it would still be some months before

Sasol had an idea of the "human resource implications"

Cox said Sasol would continue to expand its chemical operations abroad, as the local market for chemicals was limited. "It is logical that this [the overseas drive] will gain momentum" Sasol has offices in Hong Kong, Birmingham and Texas

On the mining side, Sasol would keep its global ambitions on ice while it sorted out its local operations, which have been hit by the heavy rains

NEWSMAKER

Driving the petrol industry into era of public scrutiny

THE SA Petroleum Industry Association has broken new ground with the publication of its first annual report

Mike Rademeyer, recently appointed chairman of Sapia, has been largely responsible for opening up the oil refining market to the public's gaze

Formed in July 1994, Sapia represents Caltex, BP, Shell, Engen, Total and Zenex, but not Sasol — with which it has a "problem" regarding the continued subsidisation of its synfuel production

Insisting that the Sapia report is not "all about bashing Sasol", Mr Rademeyer says, however, that the industry refuses to accept quietly continued taxpayer subsidisation of an already profitable, quoted company whose shareholders, large financial institutions, benefit the most

Sapia estimates that the annual subsidy paid to Sasol is more than R7-million at current rand levels. This compares with the R6-million envisaged by the Cabinet last year when it reduced the subsidy. The subsidy is, however, determined in US dollars, giving Sasol a windfall every time the rand weakens

"We have our arguments, but Sasol is technically superb and provides a good service to all com-

MIKE RADEMEYER, chairman of Caltex SA, Sapia and the SA Oil Refinery Limited
EDUCATION: St John's College, B Com at Wits University, MBA at UCT
QUALITY TIME: Golf and photography

panies and we work well with them. Now they want to enter the retail market, while we have had to shut down some of our refineries because we have to take up all their production, even though they refine some imported crude oil at their Natref refinery," says Mr Rademeyer

A widely travelled petroleum man with experience in the US, Korea and Thailand, Mr Rademeyer is also chairman and managing director of Caltex. His understanding of the world refining industry, gathered over a period of almost 10 years, has made his recommendations and suggestions to the government significant

The Sapia annual report, which reveals information previously withheld from the public such as volumes, turnover, source of supply and government taxes, calls for a complete deregulation of the

industry, provided the Sasol subsidy is withdrawn

Sapia's report makes it clear that a free market, and not government, should determine fuel prices and that open competition would benefit the country and the consumer. Profit would then depend on the supplier's efficiency

"We believe in a free economy and minimal regulation of the industry. Progress towards this is being hampered by the Cabinet's decision to continue massive subsidies to the synfuel projects. These subsidies not only distort the economy and cost taxpayers billions, but the policy is likely to discourage vitally needed investment, local and foreign"

Sapia says sales volumes of petroleum products totalled 25.1-billion litres in the financial year to June 1995, a 25% increase since 1990. But Sapia members have not

benefited to the same extent, with taxed profits having risen from R803-million in 1990 to R1,4-billion in 1993, R1-billion in 1994, then dipping to R955-million in the past financial year. These figures are based on a return on assets of 11,8% in 1990, less than 8% in 1994 and 6,8% last year

In spite of this, total assets of Sapia members more than doubled to R14,1-billion last year from R6,8-billion in 1990, with more than R1,5-billion invested each year since then

Mr Rademeyer concedes that a more competitive market would entail the loss of some jobs if non-viable service stations could not survive or if self-service stations were allowed

The transition must therefore be one in which staff who lose their jobs are re-trained and helped to find other employment

It is estimated that the government's annual income from the petroleum industry has been as much as R11-billion, but could be even higher following the recent 3c a litre increase and the possible 14c a litre increase asked for by the Department of Transport for road maintenance.

Don Robertson



OIL MAN. Mike Rademeyer, Sapia chairman. Picture CAROLINE SUZMAN

Plastics manufacturers face 40% price increase

(183) BB 27/5/96

Edward West

LOCAL plastic product manufacturers face raw material price increases of up to 40% by local producers Polifin and Safripol next month as international prices bounce back from ground lost in the second half of last year.

Hoechst/Sentrachem joint venture plastics marketing company Plastomark MD Wolfgang Raffalsky said at the weekend that the price increases would vary between different polymer types. "We are only recovering what we lost towards the end of last year when international prices collapsed," he said.

The prices of SA's two polymer producers, Polifin and Safripol, would increase from June 26 because that was the first day of the new pricing quarter in the industry, he said.

International prices had climbed on average by about \$150

a ton since the start of the second quarter at the end of February. Local producers were still not experiencing the same prices they had achieved at the same time last year for polymers, in spite of the increases, he said.

Polifin said the prices of raw materials would increase by 12%-15% for some polymer products and by as much as an average 25% for others during June and July. The prices of a small percentage of polypropylene polymers would rise by 40%.

Nampak chairman Brian Connellan said the higher raw material prices for plastics products and packaging would filter through to end-users.

Polifin said the restructuring of import duties had had the effect of closely linking domestic price movements to internationally traded prices. Since the beginning of the year the international supply position had tightened and

prices had started rising again after falling by 30%-50% during the second half of last year.

"There is no indication at present that prices will reach the peak levels of 1995," Polifin said. In real terms, local polymer prices, even after the expected increases, would be 15% below those of last year and up to 60% below the prices ruling in 1989, Polifin said.

The two producers face a challenge with the entry into the local market of Polymerland SA, a polymer distribution subsidiary of General Electric SA which is in turn a subsidiary of US-based General Electric Company.

Polymerland SA MD Werner Hess said the company would not compete directly with the local producers, who were narrowing product ranges for economies of scale in the new trade regime. Polymerland would supply material not made locally.

Band adamant Prempharm not marrying Adcock Ingram for the dowry

By Ann Crothy

CONSUMER INDUSTRIES EDITOR

Johannesburg — The Premier group would not contemplate a merger involving Premier Pharma-

central (Prempharm) unless Phil Nortier, its chief executive, played a crucial part, said Doug Band, the group's chairman

He was responding to speculation that Nortier might leave the group after Prempharm and Adcock Ingram merged

Nortier is regarded as a crucial part of the deal, said Band. This led analysts to speculate that Nortier was to become the chief executive of the merged operation.

He is regarded as one of the toughest executives in the industry and is credited with Prempharm's excellent profit growth. In the financial years between 1989 and last year it lifted operating margins from 17,8 percent to 26,3 percent.

Over the same period Adcock Ingram's margin increased from

14,3 percent to 16,2 percent

Earlier speculation that Nortier was likely to leave was based on the belief that Adcock Ingram was leading the deal, which meant that an executive from that camp would probably be picked to lead the combined group.

Analysts believed that part of the motivation for the merger was to enable the Premier Group, which has a 57 percent stake in Prempharm, to sell off part of this stake to get in much-needed cash

"This is not a fund-raising exercise for Premier and no one side is leading the deal," Band said. He added that shareholders on both sides wanted the deal.

On the question of motivation, he referred to the recent international trend where some of the massive global pharmaceutical players merged to consolidate their positions.

Industry sources have said this was being done at a time when expenditure on research has been

cut back and the development of new products has fallen off.

"Instead of developing new products to strengthen their market position, companies are scrambling to do mergers that will help to protect their positions," one said.

For the South African players there was the additional worry of increased competition from foreign companies, as well as the need to be prepared for an expected tougher government stance on the costs of healthcare.

Analysts said there was little overlap in the groups' market strategies, but there was scope to save more than R50 million in costs a year.

Until final details of the merger are announced, or until Band releases information on the Premier rights issue, the market will continue to speculate that the merger will involve Premier selling assets.

Band said the rights issue would be dealt with when the company released results next month.

(183) or (BR) 27/5/96

Pande pipeline deal nears finality

Samantha Sharpe

CAPE TOWN — US gas company Enron is "days away" from formal contracts to construct a pipeline from Mozambique's Pande gas fields to a proposed direct iron ore reduction plant in the Northern Province in what would be a \$2bn project

Speaking at a World Economic Forum briefing on Friday, Enron senior vice-president Anthony Way said final heads of agreement between the Mozambican and SA governments would be formalised within a matter of days

The project was expected to come on

stream some time towards the end of 1998 or early in 1999, with a projected 30-year lifetime, he said.

Way said Enron and the Mozambique state gas and oil company Empresa Nacional de Hidrocarbonetos would be jointly responsible for the funding, building and operation of the 800km pipeline

The Industrial Development Corporation would be involved with the development of the iron ore reduction plant, although its precise location was still to be decided, he said. Direct in-

BD 27/5/96 Continued on Page 2

Pande

Continued from Page 1

vestment in the pipeline and iron ore reduction plant would amount to about \$2bn, with just more than \$1bn related to investment in the plant

Way declined to comment on projected revenues from the project, but said the benefits to the southern African region would be enormous

While the project hinged on a unified taxation policy and regulatory framework for gas pipelines between

SA and Mozambique, this was unlikely to be problematic, he said

Mozambique energy ministry special adviser Mario Marques said both countries were already working on a joint economic commission. While the countries' taxation and regulatory policies were unlikely to be identical, they would certainly be compatible, Marques said. Both Mozambique and SA were "keen" to ensure the required regulations were put in place

The Pande gas fields consist of about 14 wells with proven reserves of about 2.5-trillion cubic feet and likely reserves of 3-trillion cubic feet, he said

Government 'must cede control of oil'

By Marc Hasenfuss

(183)

ET (PR) 29/5/96

Cape Town — Gareth Ackerman, the managing director of Pick 'n Pay's group enterprises, criticised the government's continued control of the oil industry yesterday

He said it was dragging its heels on deregulating the industry and consumers could look forward to more fuel price rises if the rand continued to fall

He said there was no need for the government to continue behaving as if South Africa were still operating in a siege economy.

"While fuel is a strategic product, our ability to source supply is no longer in question and there is no need for the government to continue retaining control," he said

He said the new levy being proposed by the transport ministry to raise funds for infrastructural road costs could be offset by market deregulation

"It seems absurd that in one breath the government proposes a dedicated fuel levy to improve roads and in the next breath tells us that any solutions to bring down the cost to the consumer are un-

acceptable," Ackerman said
"We simply cannot understand why the government is intent on retaining control over what is a very competitive market in most other places in the world"

He said indications that fuel could rise again next month to R2,18 a litre from R1,92 last month were unacceptable

"What is worse is that even if the price of international refined product and crude falls as anticipated by the end of the year, only a stabilised rand could prevent another increase"

Foskor plans construction of granular fertiliser plant

David McKay

(183)

BD 30/5/96

FOSKOR, the state-owned phosphates producer, is planning construction of a R3,5bn granular fertiliser plant which will flag up a total of R7,5bn in capital projects announced by the company in recent weeks.

The plant, which could be located either in Richards Bay or Maputo, follows hard on the heels of a R4bn alumina-from-phlogopite plant.

The Financial Mail reported this week that the plant, which would earn more than R1bn a year in forex, would link up with the alumina project.

The project, the subject of a feasibility report, was planned for completion in 2000. The report said the project would complement Foskor's existing 230 000 tons a year granular fertiliser market which it operated through its 50% shareholding in the Richards Bay-based Indian Ocean Fertiliser (IOF) — jointly owned with Togo's Office Togolais des Phosphates.

Meanwhile, an environmental study was the only obstacle standing in the way of the alumina-from-phlogopite project which could be located close to the Kruger National Park. This project would also aim to produce substantial tonnages of magnesia and sulphates in addition to alumina.

Chemical industry dispute (183)

CHEMICAL industry employers and trade unions met the conciliation board on Monday in an attempt to resolve a dispute on centralised bargaining, the Chemical Workers' Industrial Union said yesterday. **BD 30/5/96 (2)**
CWIU labour convenor Muzi Buthelezi said the conciliation board meeting failed to resolve the dispute but employers and trade unions had agreed to proceed with facilitation.

Prempharm's earnings rise 16% to R142,9m

(183) BD 31/5/96
Edward West

THE Premier Pharmaceutical Company (Prempharm), which is investigating a merger with Adcock Ingram, lifted headline earnings 16% to R142,9m in the year to April following strong growth in its consumer and Visioncare divisions.

Headline share earnings increased to 130c from 114,6c the year before, but a decision on the final dividend was deferred pending finality of the merger. The total payout for the year so far was 17c compared with 51c paid out last year.

Prempharm secretary Hymie Shapiro said shareholders would be notified of the outcome of the talks with Adcock Ingram in due course. If successful, they would result in the creation of SA's most profitable pharmaceutical company.

Prempharm raised turnover 4% to R663,2m, while operating income was 10% higher at R184,3m. Net investment income climbed sharply to R12,7m from R1,8m, due mainly to higher interest income because of the group's cash generating capacity.

The group was ungeared, with cash resources net of borrowing of R208,2m.

Tax increased to R52,5m from R47,8m previously, leaving taxed income 21% up at R144,5m.

The directors said the loss of a significant state tender had continued to knock the pharmaceuticals division, but a stronger second-half performance had resulted in modest turnover growth and improved profitability. Ongoing exposure to the state tender market was minimal.

The consumer division had produced significantly improved profits due to better margins and tighter cost controls, while the Visioncare division had achieved real turnover growth and substantially increased earnings.

The directors said the performance of the Animal Health joint venture was disappointing.

The group's strong presence in the over-the-counter, generic and consumer personal care markets augured well and real earnings growth was expected in the current financial year.

Adrienne Giliomee reports that Competition Board chairman Pierre Brookes said yesterday the board did not think it was necessary to subject Prempharm and Adcock Ingram to a formal investigation.

"The pharmaceutical industry is characterised by a number of players with insubstantial market shares, with no firm having more than 15%," Brookes said. "Only the two groups' manufacturing operations were expected to be merged, he said."

Chemical union strategy to reinstate workers

Mduduzi ka Harvey

BD 31/5/96

(183) (152)

THE Chemical Workers' Industrial Union has threatened to go on a national strike in a bid to secure the reinstatement of about 600 workers dismissed for participating in a strike over centralised bargaining two months ago

Union general secretary Muzi Buthelezi said the dismissals were hindering progress made with employers on the matter

Buthelezi said part of the union's programme of action to get employer-union negotiations back on track would be to campaign for

the reinstatement of the workers, the withdrawal of disciplinary warnings issued against other workers who had participated in the strike and the dropping of alleged criminal charges against certain union members. In addition, the union would lobby workers to stage demonstrations and occupy factories of companies that took action against workers

Buthelezi said the union would decide at a meeting in two weeks on further action. He said although breakthroughs had been made in talks with employers there was a deadlock over levels of

bargaining and the numbers of sectoral chambers in a national bargaining council

The unions want a council with five sectoral chambers with the council having powers over the chambers, while the employers want 10 sectoral chambers

At a Conciliation Board dispute held last month parties were in deadlock, but agreed to seek ways of reaching agreement through further negotiations. In the meantime, however, the union would coordinate a mandate and set a time for balloting members should the parties fail to agree

Petrol to go up another 13c a litre

(183) ~~ARG 31/5/96~~ ARG 31/5/96

Staff Reporters

THE petrol price is to shoot up by 13c a litre next Wednesday, sending the price soaring to R2,13 a litre for 97 octane, a move which has shocked motorists already reeling from a 14c a litre rise at the beginning of this month

This brings the total increase for the year to 35c from the R1,78/l it was in January

Unleaded fuel will rise to R2,09 a litre

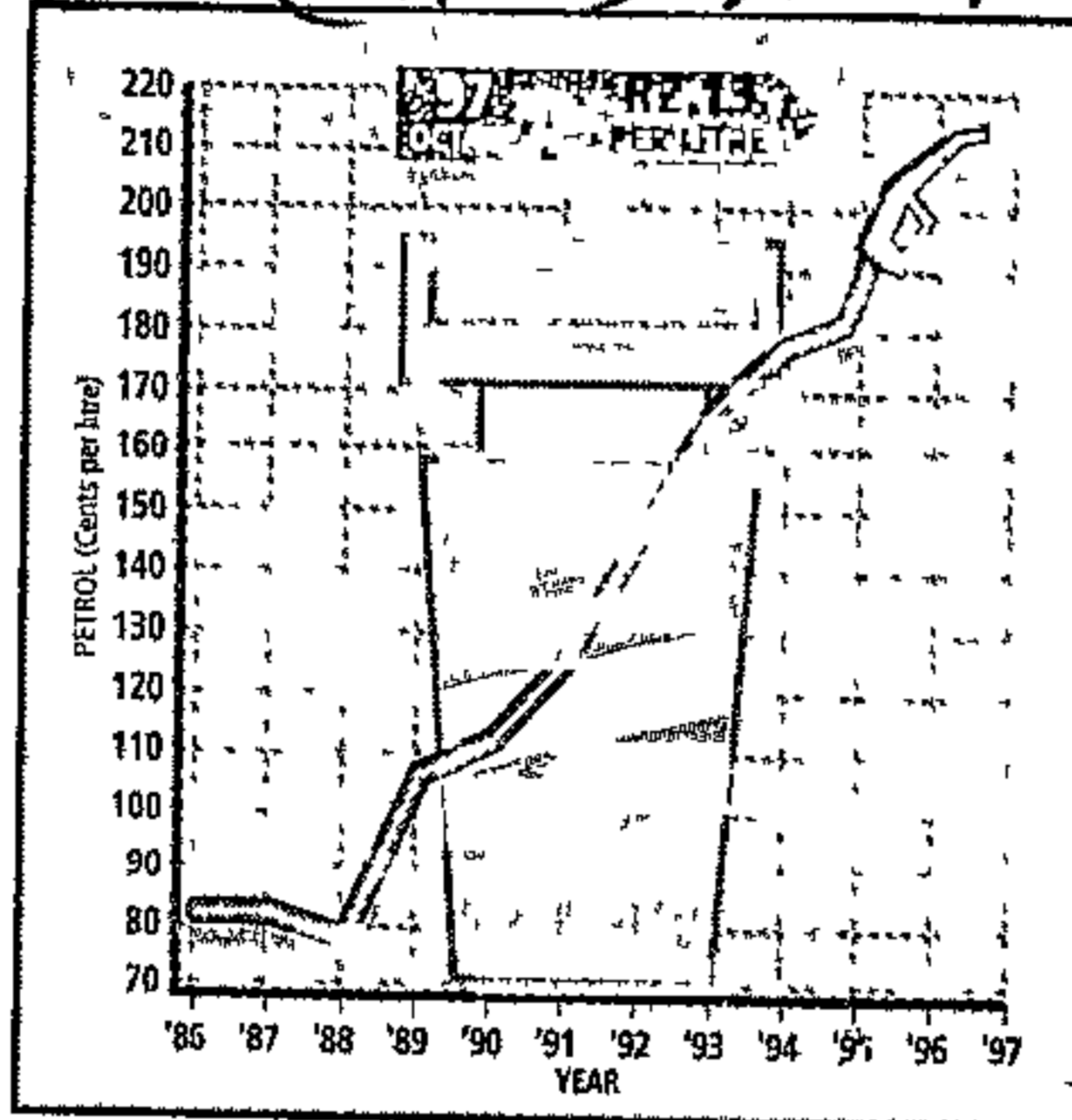
The Central Energy Fund announced the increase this morning, listing the under-recovery of each litre of petrol sold between April 26 and May 25, the drop of the rand against foreign currencies and the rise in international oil prices as the reasons

The price of diesel will rise by 5c a litre and the price of illuminating paraffin by 4c a litre

Sarel Cilliers of the Central Energy Fund said the international price of petrol had increased substantially on average during the past few months "On average, the international price of diesel has increased marginally while the average price of illuminating paraffin has decreased

"The sharp deterioration of the average rand/US dollar exchange rate has contributed to the under-recoveries for the period under review"

The quality of life in South Africa was steadily being eroded by regular fuel price increases, said economists and consumer spokesmen after today's announcement



Faiek Arnefdien, secretary of the Western Cape Taxi Task Team, said while the industry had not yet had time to discuss the latest increase, the news would seriously affect the industry

"It is unfortunate that the slumping rand has not recovered sufficient so as to avoid yet another increase. The price hike will be hard on us, but in the longer term it will affect the commuters more as our only recourse to absorb the increase is to pass it on to the taxi-users"

Econometrix chief Azar Jammine said the latest increase hard on the heels of last month's 14c a litre rise, would push the inflation rate up from April's 24-year low of five-and-a-half, by a further one percent

There would be a knock-on effect of another point two percent as business

passed the increase on to the consumer. He said it appeared the formula used to calculate the change in the petrol price did not take the full effect of the fall in the rand combined with the rise in the oil price into account when the cost of petrol was last raised

Mr Jammine said it was likely this would be the last big fuel price rise for the moment, but the immediate effect was that consumers would have to spend less on other commodities if they had to pay more for petrol

The taxi associations - which are embroiled in a fight with government for subsidies - will be forced to consider whether consumers should bear the brunt of the rise and increases may be in the pipeline for millions of commuters countrywide

Housewives League president Pauline Kellett said "Nobody believes the producer or supplier absorbs the increases. It all comes down to the consumer, and it is the poorest people who are being hardest hit as they have no resources to fall back on"

Sapa reports the Consumer Council said the price hike would have a devastating effect on consumer spending patterns

Consumer Council director Ina Wilken said it would create a ripple effect on all commodity prices. She condemned the latest increase and said it would undoubtedly have a negative effect on the consumer price index and an increase in the inflation rate was inevitable

New blow as petrol

rises to R2,19 a litre

(183) (211) Star 31/5/96

Increase since January has been 35c: inflation will rise 1% immediately with knock-on effects to follow, say economists

ETIENNE ROTHBART



... what captain Neil Tovey (left) and ... alifier against Malawi in Blantyre ... y obscured) and media officer Glyn

BY SHIRLEY WOODGATE AND
NIKKI WHITFIELD

The price of petrol will rise by 13c/l next Wednesday to a new high of R2,19/l, just one month after motorists and transport managers were shocked by a previous hike of 14c/l that led to loud protests

The total increase for the year so far amounts to 35c, up from a price of R1,84/l in January.

The Central Energy Fund announced the increase this morning, listing the under-recovery of each litre of petrol sold between April 26 and May 25, the deterioration of the rand against foreign currencies and the rise in international oil prices as the reasons for the "unavoidable" move.

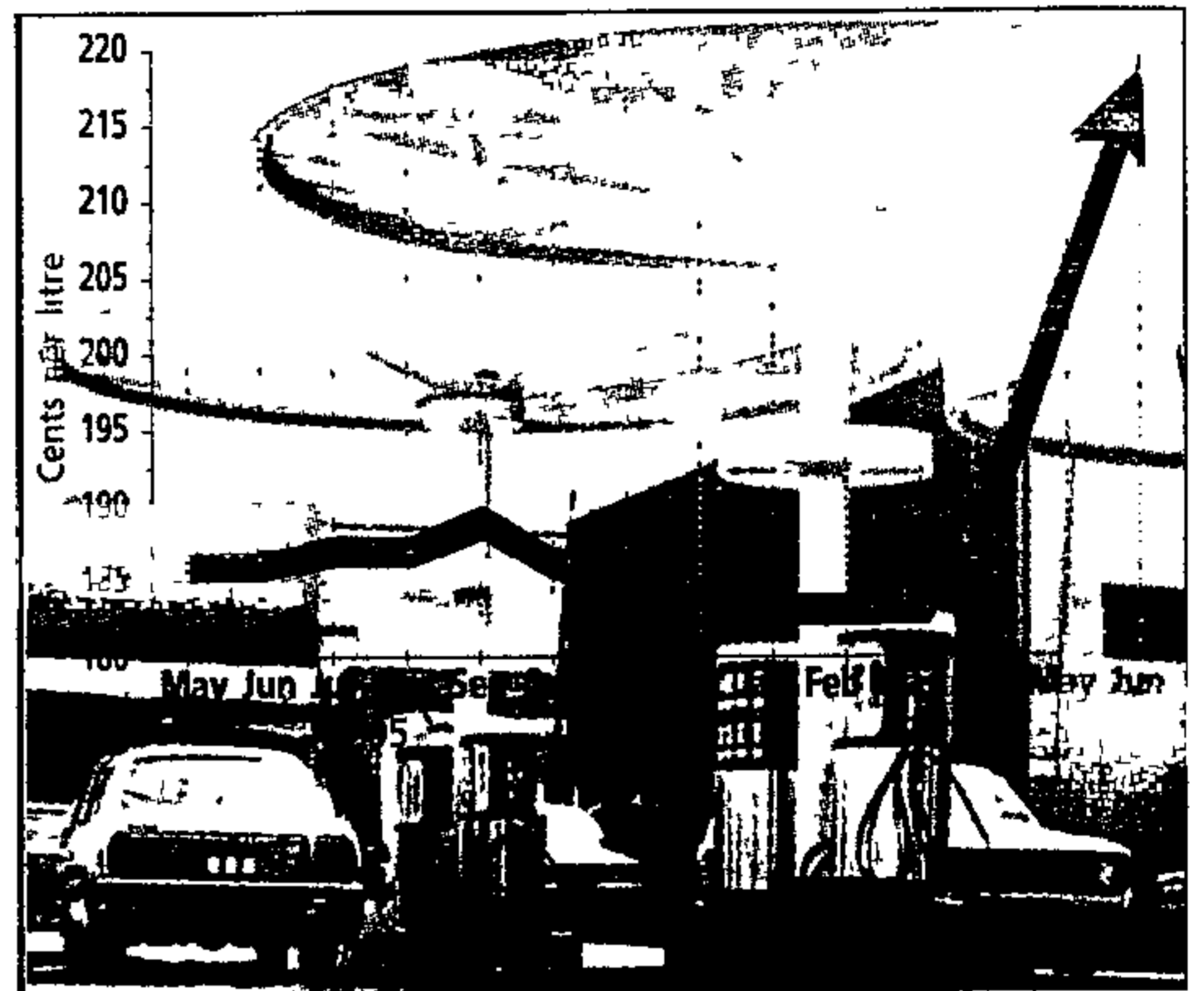
The price of diesel will rise by 5c/l to R2,02/l and the price of illuminating paraffin by 4c/l to R125,43/l

The quality of life in South Africa was steadily being eroded by regular fuel price increases, said economists and consumer spokesmen after today's announcement.

Econometrix chief Dr Azar Jammine said the latest increase hard on the heels of last month's 14c a litre hike, would quickly push the inflation rate up from April's 24-year low of 5,5% - probably by one percentage point.

There would then be a knock-on effect as business passed the increase on to the consumer.

He said it appeared the formula used to calculate the change in the petrol price did not take the full effect of the fall in the rand, combined with the rise in the oil



price, into account when the cost of petrol was last raised

Jammine said it was likely this would be the last big fuel price rise for the moment, but the immediate effect was that consumers would have to spend less on other commodities if they had to pay more for petrol.

The taxi associations - which are embroiled in a fight with Government for subsidies - will be forced to consider whether consumers will have to bear the brunt of the hike, and increases may be in the pipeline for millions of commuters countrywide.

Housewives League president Pauline Kellett said: "Nobody believes the producer or supplier absorbs the increases. It all comes down to the consumer, and it is the poorest people who are being hardest hit as they have no resources to fall back on."

She said it was irresponsible

that the issue of in-house credit cards backed by banks was being encouraged at this stage

The move could only increase the debt load of people who were openly, and to their ultimate cost, encouraged to obtain easy credit through plastic money

"The more you owe, the less cash you have. Therefore you speed up the spiral of debt as you are forced to pay more at the store where you have your credit card," she warned.

Increasing cost of living spelled the end of brand loyalty for the richer customers, which posed a new set of problems for the stores.

Kellett said the only way to beat the higher cost of living was to spend more time learning to budget properly.

It could also be argued that the last increase was not as great as it should have been.

increase by a further 12c/l on June 5

The latest price increase is expected to be announced by the CEF next Friday

Transnet economist Mike Schussler says together with the 8c/l and 14c/l petrol price rises at the beginning of April and May, respectively, the combined upward impact on the PPI inflation rate could be as high as 2,5% by June

"I doubt if the March 5,9% PPI figure was correct — according to my own calculations, the drop in the rand should, already, have pushed up PPI by a further 1,1% in March, to 7% And, with fuel having an approximate 6% weighting on the PPI, we can expect a few unpleasant shocks when all these factors start affecting the PPI rate calculations "

Schussler says petrol prices could therefore reach R2,18/l on June 5 — a 16,6% increase from the previous year

Chief culprit, again, is the combination of a weak rand and high international petrol prices

SA Petroleum Industry Association director Colin McClelland says, eventually, crude oil prices affect refined product prices, while international refined prices tend to reflect global (and not regional) price movements

"In terms of the IBLC pricing mechanism, SA's petrol prices are based on average petrol price movements in two or three markets served by selected refineries in Singapore and Bahrein," says Huysamer Stals chief economist Johan Rossouw

Next month's price increase will be calculated by the CEF on May 25, based on the average underrecovery for the past month and the "slate account "

Sacob economist Keith Lockwood says

PETROL PRICE

(183)

FUELLING INFLATION

pm 24/5/96
Battered consumers must brace themselves for yet another fuel price hike Based on the average unit underrecovery as published by the Central Energy Fund (CEF) on Tuesday, petrol prices should

the petrol price rise would have a bigger impact on the CPI inflation rate than on the PPI, as transport costs are mainly based on diesel prices And, with the diesel price underrecovery only about 4,4c/l on Tuesday, it seems that the diesel price increase should be lower than petrol ■

(103)

NEW LAWS IN PIPELINE

PM 24/5/96
The pending development of the Kudu and Pande gas fields and the fact that SA may be the main customer for both have prompted government to look at a new regulatory and investment framework for the fledgling industry

Alan Surridge, director of electrical energy at the Department of Mineral & Energy Affairs, says SA already has an Electricity Act "Now we are busy drafting a new Gas Act, to provide the legislative basis for future cross-border agreements. It will also create the regulatory framework for private-sector and public corporation investment in the sector"

Surridge says SA's small domestic and industrial gas industries work with mostly coal-based syngas, produced by Sasol, with industry using about 98% of the total. The Mossel Bay offshore gas fields are used exclusively for the production of liquid fuels by Mossgas

"Natural gas provides only about 1,7% of SA's primary energy, while more than 70% of our needs is sourced from cheap coal reserves

"We are one of the world's few coal-reliant countries but growing environmental awareness also points towards the greater use of alternative energy and chemical sources in future"

Apart from Mossel Bay, Pande and Kudu, coal-bed methane gas development from Iscor's huge Waterberg coal fields is another possible gas source

"We see a more significant primary energy role for gas development over the next 20-30 years. We are trying to develop a policy through workshops and by bringing in overseas and local expertise. The National Energy Policy Summit during November will focus on these issues, which should also be included in the final Energy White Paper, due for drafting by July," says Surridge

The existence of a formal policy, along with a set of regulations, will give investors a greater sense of security — and the visit this week of US Department of Energy official Donna Bobbish, to help in the process, shows the urgency involved

Last week, Surridge visited Mozambique for the signing of a gas trade treaty, Namibian President Sam Nujoma simultaneously invited SA participation in the development of the Kudu gas fields

Surridge also plans to visit Namibia soon "Our treaty with Mozambique

could be used as an example for a similar treaty with Namibia. These agreements could be linked to the existence of the Southern African Power Pool agreement, entered into between SA and the other Southern African Development Community countries"

Surridge says a Gas Bill could be published as early as next year

Some of the possible gas-based industrial projects identified by an SADC report include direct reduction iron plants at Richards Bay, Phalaborwa and Saldanha Bay, ammonia plants at Modderfontein, Pande or Cabinda (Angola), power generation plants at Richards Bay, Saldanha Bay, Maputo and the mouth of the Orange River, and a mineral beneficiation project at Phalaborwa

The next century could see SA moving gradually away from coal, as primary energy source, towards cleaner-burning gas — and to hydro-electric power

The SADC report says forecast annual gas market values in southern Africa are considerable, reaching US\$700m (in 1994 value terms) in a low-growth scenario and as much as \$2,8bn in a high-growth scenario by 2025 ■

SPILLING THE BEANS

(183)
PM 24/5/96
Members of the SA Petroleum Industry Association (Sapia) have given details of profits for the first time since the Nationalist government slapped a secrecy code on the industry in the early Sixties

And the results seem to bear out Sapia's stance that State-supported syn-fuel giant Sasol should no longer qualify for an excessive subsidy

Combined operating profit of the six conventional oil refining and marketing companies — BP, Caltex, Engen, Shell, Total and Zenex — in the year to end June 1995 was R1,8bn

In the same year, Sasol synfuel and crude oil refining reported operating profits of R1,6bn. Looking at net after-tax income, Sasol's position is even better — its 1995 net income of R959m was slightly over the R955m for the six oil majors

But Sasol spokesman Alfonso Niemand says the company does not receive a cent of State support. "Since government reduced the support price level to US\$17/barrel in January, oil prices have shot up and are still above this level," he says. Sapia believes the \$16/barrel support level should be implemented now, not by 1999. And it is adamant that Sasol should repay subsidy benefits received during periods of low oil prices.

Sapia director Colin McClelland says Sapia does not want to see Sasol close its synfuel plants. "In a time of low oil prices, we would support a government subsidy to keep the plants operating. A subsidy in these circumstances would be in the national interest (as) a temporary expedient until prices recovered sufficiently to again make the plants viable."

Each year, Sasol saves about R5bn on SA's forex bill — compared with about R2bn saved by Sapia members (the profit margin difference between imported crude and imported refined product prices).

But Sapia makes a strong plea for clarity on government's liquid fuels industry

BUSINESS 125

policy "The country is facing a refining capacity crunch that has major implications for foreign investment, jobs and the current account," it says

With total investment in the oil industry already running at R1,5bn/year and oil demand increasing at 5% a year, government must indicate who will get the green light for expansion — oil refiners or the synfuel industry? ■

LION MATCH

(183)

BIG RETURNS FROM CASH

PM 10/5/96

Lion Match produced sparkling results in financial 1996 but, perhaps inevitably, they tend to be obscured by questions on what the Durban company plans to do with its growing cash pile, at R214m significantly larger than turnover

MD Terry Turner points out that shareholders get a tax-efficient, sound return on the cash, initially the proceeds of the sale of packaging division Interpak a few years ago. Dividends from cash invested in preference shares grew from R5,7m to

STRIKING		
Year to March 31	1995	1996
Turnover (Rm)	167	185
Operating income (Rm)	27,2	30,0
Attributable (Rm)	26,1	36,4
Earnings (c)	58	80
Dividend (c)	24	33

R15,4m last year, and with other cash resources, helped investment income increase 25% to R18m. The investment in prefs also helps the tax line, which fell by nearly R4m to R11,6m

That all fed the commendable 39% increase in earnings, though trading performance was also sound. Turner says improved efficiencies and stringent cost

controls pushed trading profit up 10% on a 5% rise in product sales

But getting back to the cash, while it is earning a good return, it may not stay in a passive investment. "We are exploring all options open to us," Turner says

Exports are important to Lion Match to capitalise on growth in the domestic market, and this is where the declining rand will add some impetus. Africa was the initial target for exports and remains important, though attention has recently been focused on South America, which Turner says has "enormous potential"

There is also some diversification of earnings from shaving products (Wilkinson Sword) and home and garden tools

The share has attracted interest in the past two months, gaining about 32% to a new high of 925c. Earnings growth should again be good this year, so there is probably value on a 13,6 p e multiple

The cash is an added long-term attraction — any company which takes so long deciding what to do with its money must surely make a wise decision, mustn't it?
Shaun Harris

SA Rail Commuter Corporation and the Airports Company

Only after the Cabinet has given its consent to long-term financial support for the Bid will it be possible for my Department and other central government Departments to put more human resources into the bidding process. The formation of a multidisciplinary task team consisting of senior officials of various state Departments involved in the Bid would then be likely to follow. It must be remembered that Cape Town is currently still in the early stages of the bidding process and that the city may only know in September 1997 if its bid

was successful or not. Should it succeed, more sharply focused interdepartmental task teams will be needed in the period up to 2004 to ensure that the Games are hosted successfully.

At the present moment, I am satisfied that the current integrated planning process, which should be completed early in 1997, will provide the necessary basis for further developments in the transport arena in the Cape Metropole, with or without the Olympic Games.

(2) No

QUESTIONS

†Indicates translated version

For written reply

Mossgas: workers retrenched

338 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

Whether Mossgas retrenched any workers during the period 1 July 1995 up to 30 April 1996, if so, (a) how many employees were retrenched, (b) what did the combined retrenchment packages amount to and (c) of what components did the retrenchment packages consist?

N587E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(a) As part of the imperative to reduce operating costs and simultaneously improve the operating surplus, Mossgas embarked on a business re-engineering exercise in November 1995. As is required by the Labour Relations Act, 1956 (Act No 28 of 1956) an extensive consultation process was followed with the employee representatives. As an alternative to forced retrenchments, it was agreed in February 1996 to offer voluntary severance to all employees, subject to pre-agreed selection criteria (mainly essential skills).

On this basis 261 employees applied, of whom 213 were released from service. This represented 15,3% of the approved staff complement of 1390. Over and above the 213 employees who were granted severance packages, a further 165 resignations were received in the period 1 April 1995 to 1 March 1996, bringing the total amount reduced to 378, or 27,2% of the approved staff complement.

(b) The severance package was one of the items determined through the consultation process. The combined packages of the 213 staff mentioned above amounted to R20,394 million. Approximately R30 million will be saved in annual costs, resulting from salaries and benefits which are no longer payable to these 213 ex-employees.

Hansard

(c) Components of the package consisted of items which are aimed at providing relief for the hardship brought about by retrenchments, taking into account such factors as the potential period out of work, period of notice, service recognition, age recognition and other relevant factors. Special consideration was given to the remote locality of the plant away from industrial areas, for which a relocation consideration was included in the package.

(183)

SANDF: defence of members in criminal trials

357 Mr D H M GIBSON asked the Minister of Defence

Whether the South African National Defence Force incurred any costs in (a) 1993, (b) 1994 and/or (c) 1995 in respect of legal fees for the defence of members of the SANDF appearing in criminal trials, if so, in each of these years, (i) what costs were incurred, (ii) what were the names of the SANDF members involved, (iii) on what charges were they being tried and (iv) what was the verdict in each case?

N610E

The MINISTER OF DEFENCE

(1) Yes. When a member of the SANDF is criminally charged as a result of his/her actions in the course and scope of his/her duty, said member is entitled to legal representation at State expense as prescribed by Treasury Instruction W/5.

The following cases have been litigated according to the abovementioned Instruction

(a) (i) 1993/94 Financial year 42 cases—R69 253,38

(b) (i) 1994/95 Financial year 62 cases—R94 187,81

(c) (i) 1995/96 Financial year 103 cases—R1 527 183,70

(ii) The names of the SANDF members involved, (iii) the charges on which they were tried and (iv) what the verdict in each case was, are tabulated below

FROM PAGE 1

◆ Petrol price

~~2222~~ (183)
Star 1/6/96

The increase comes as consumers are still trying to recover from the recent devaluation of the rand and last month's interest rate rise.

On Thursday the Competition Board cleared the banks of collusion. But chairman Pierre Brooks said a bank rate increase was a sensitive matter which affected most citizens.

"In the circumstances one could have expected the banks to have advised and informed consumers of their actions in a more comprehensive way."

Dennis Dykes, senior economist of Nedcor, said the petrol price increase would push the inflation rate up. The hike would have a ripple effect on the economy.

"Inflation is likely to up by a further 1%, and another 1% to 2% as business passes the increase to consumers."

Dykes said that, taking the petrol increase into consideration, inflation at year-end should be around 10%. Inflation peaked at 11% in April last year and has been on a declining trend since.

Zumaid Moola, senior economist at the National Institute for Economic Policy, said the current low inflation figure was meaningless. "It means nothing if there is no creation of jobs, the value of the rand has declined and we have dismal economic growth."

Moola said the petrol hike would filter through to the economy in the long term. "The petrol increase will appreciably increase the inflation rate."

Mike Schussler, a petrol expert from Transnet, said the petrol price would "most probably never again be below the R2 mark".

'Insensitive to the poor'

He said a decrease in the petrol price was possible in the future if the rand stabilised and international oil prices fell.

The Consumer Council condemned the petrol price hike. Council director Ina Wilken said: "It seems as if both business and Government are insensitive to the plight of consumers and one wonders whether the professed empowerment of the poorest of the poor means anything at all."

She complained that the latest price increase would have a ripple effect on the prices of all consumer goods.

The taxi industry also lashed out at the increase, calling it "insensitive and ruthless".

Wesley Mpawu, spokesman for the South African Long Distance Taxi Association, said: "This unilateral decision to raise the petrol price will destroy the taxi industry, which is already crippled after April's increase."

"We are going to send a strongly worded memorandum to the Government next week expressing our disgust with the increase," he said. "This petrol hike forces us to consider raising taxi fares."

David Sekgobela of the SA Commuters' Organisation said commuters would once again have to bear the brunt of the hike as they would inevitably have to fork out more. He said the standard of living of the poor would be brought down further.

The Automobile Association said the hike should be seen as an opportunity to urgently examine the deregulation of the oil industry.

Pump prices for petrol in Gauteng from Wednesday will be R2,15 for 91-octane unleaded petrol, R2,19 for 93-octane leaded petrol and R2,02 for diesel.

At the coast, 93-octane petrol will cost R2,09 and diesel R1,92.

Petrol bomb

By WILLIAM-MERVIN GUMEDE

The 13c-a-litre petrol price increase on Wednesday - following close on a 14c-a-litre hike in April - has drawn outrage from consumer bodies and the public.

Analysts predict that, as a result of the petrol increase and the hike in banks' interest rates, inflation will soar.

The inflation rate, down to a 24-year low of 5,5% after peaking at 11% in April last year, is expected to swing back to 10% by the year's end.

And it has been predicted the petrol price could remain above R2 a litre for all time.

The new cost of petrol will be R2,19 a litre - an increase of 35c this year. Diesel will be up by 5c a litre to R2,02 and illuminating paraffin by 4c a litre to R1,25 a litre.

TO PAGE 2

Draft law tightens the rein on medicine costs

By PAT SIDLEY

THE government is drafting new laws to control medicine prices and regulate the pharmaceutical industry

It is also changing many of the regulations governing the medicines industry and the public's access to drugs

The changes are intended to ensure that there are legal mechanisms in place to bring down the price of medicines if the pharmaceutical and related industries do not drop them voluntarily.

The proposed changes to the law form part of a wider National Health Act being drafted in government and provincial health circles

It will cover almost all aspects of health, although

private health sector issues are likely to fall under separate legislation

The draft National Health Act envisages wide powers to regulate the drugs industry, including powers of search and seizure.

If passed, it will empower pharmacists to substitute expensive brand name medicines with generics. Under current law, only doctors may decide what drugs are dispensed

The proposed law also places a responsibility on the state health authorities to get the best deal when buying drugs and, where possible, to buy generics, particularly from local manufacturers

This is in line with the Drug Policy launched by the Department of Health earlier this year

(183) (18)
ST 2/6/96
The proposals also lay down a legal framework for the Essential Drug List — under which only basic, inexpensive, safe and effective drugs may be used in state health facilities.

Practices in the health industry which the government wants to stop include pharmaceutical companies giving free drug samples to doctors and lavish gifts on them during product launches

Among issues in the proposed law likely to prove controversial is a provision for abortions in state hospitals.

Other proposals

- Give patients a legal right to information about their health and medical treatment, and the right to have somebody explain matters to them fully,

- Ensure the right to privacy for minor patients older than 14,

- Give patients the right to proper treatment,

- Ensure informed consent for procedures cannot be overridden by a contract signed on admission to hospital, a widespread practice at private hospitals, and

- Set up a complaints procedure for patients if something goes wrong

Doctors, who have been left out of draft discussions, are likely to have some strong views

THE VIVA DRAW

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Fuel deregulation may benefit govt

Reinie Booysen

BD BD 5/6/96

(183)

GOVERNMENT would benefit from the deregulation of fuel prices without increasing the final cost to the consumer, the International Energy Agency (IEA) said.

In a recent report the IEA, the energy arm of the Organisation for Economic Co-operation and Development, said by deregulating fuel prices and eliminating arbitrary levies government would be able to boost the true tax element of the final fuel price as the non-tax element reduced. This could occur without increasing final consumer prices.

"This would appear to offer a fiscal opportunity for the government. The true tax component on petrol could be increased by nearly one-third (with eventual elimination of the levy and the other revolving fund payments), in-

creasing the government's revenues another 3% while leaving consumers of the fuels unaffected."

The "levy and other revolving fund payments" was a reference to the Motor Accident Fund, the Equalisation Fund and the National Road Safety Fund. IEA's Philip Swanson said the figure of one-third was only an estimate, made more difficult by the absence of any detailed market statistics and information.

The IEA had recommended earlier that government ease current restrictions and controls on distribution and marketing, "with a view to their elimination as greater competition is introduced in the future".

Another source also disputed the extent of the reduction which would ensue from deregulation, but he acknowledged there was potential for cuts, possibly totalling 23c to 24c a litre.

Petrol levies fuel funding controversy

By Roy Cokayne

Pretoria — The transport industry, reeling from the sharp increases in the fuel price, will be placed under extreme pressure by government proposals to introduce two petrol levies

Mac Maharaj, the transport minister, is planning to introduce a permanent 3c a litre levy on petrol and to increase the levy by 8,8 percent a year. This is being done in an attempt to wipe out unpaid claims of R5 billion incurred by the Multilateral Motor Vehicle Insurance Fund (MMF). An additional levy will be introduced to finance a dedicated road fund.

The planned MMF levy is contained in a draft White paper for the restructuring of the fund. The transport department has proposed a levy of 8c a litre for the road fund in addition to the doubling of licence fees.

The Road Freight Association were unavailable for comment yesterday, but a transport industry source said the industry was opposed to the levies.

He said the industry was concerned the funds raised through dedicated levies would end up in the government's general funds

and would be used for other purposes.

The source said the industry was worried the levies may not be apportioned on a fair basis.

He said that there was also concern about where the provincial and regional governments would source their funding. A doubling or tripling of licence fees would increase the licence fees of a typical heavy truck with a semi trailer and trailer by between R10 000 and R12 000 a year.

He said that government plans were for about 20 000km of national roads to be covered by a dedicated road fund.

But he said South Africa's total roads structure comprised 350 000km of road and he questioned where funding for the other 330 000km would be sourced.

If the nine provinces were allowed to generate these funds from increased licence fees it would result in a return to the "inequality of the past" when there was a disparity between the road licence fees charged by the

(183) (BR) 5/6/96

different provinces, he said.

Michael Oldham, the managing director of Putco, said the roads were deteriorating at an alarming rate, and at the end of the day, customers would have to pay for their maintenance.

"We realise there is a need to find more money for roads. But affordability is a crucial element in the transport industry at the moment and increased costs are placing a lot of pressure on the industry.

"There is a lot of resistance to fare increases because of affordability, but the companies are in the middle and will have to look to pass on cost increases if they are to survive," he said.

Oldham said the entire bus industry was concerned about how it was going to handle the situation. He said that the government passenger subsidy had not been increased last year and was reduced this year.

Tony Twine, the director of Econometrix said it was impor-

tant to distinguish between the MMF fund and road fund.

He said the problem most people would "choke on" was that there used to be a dedicated road levy which was incorporated into the consolidated fuel levy.

Twine said with that the consolidated fuel levy being part of general government funds, consumers would be entitled to ask why no amount of it was released to the road fund.

He said an amount of 14c a litre was bandied about by the transport minister for a dedicated road levy, which would generate R2,25 billion a year from petrol and diesel sales. But Twine said R1,4 billion of this would come yearly from petrol sales and R825 million from diesel sales, and this would mean motorists would actually be subsidising the transport operators with their heavy trucks that caused most of the damage to the country's roads. "You have to question that and whether it is fair," he said.

Twine said the proposed 3c a litre for the MMF would bring in R300 million a year from petrol and R180 million on diesel, which "will not close the gap between the money in the bank and the actuarial deficit of the fund."

'Motorists would actually be subsidising the transport operators with their heavy trucks'

Refiners benefit from weaker currency

Reinie Booyesen

(183) B06/6/96

THE oil industry is enjoying fatter refining margins as stronger international product prices combine with a weaker rand to lift margins out of their long-time rut.

Engen and Sasol are among the JSE companies which expect healthy 1996 results if current international price trends continue, keeping refining margins near their highest levels in months.

On top of the firm dollar-denominated refinery margins in the Middle East and Singapore, to which local refiners' margins are linked, the decline of the rand will also increase earnings. Since peaking in February at

\$7,00 a barrel, the resilience of margins has confounded many predictions. After February, figures published by London-based Weekly Petroleum Argus show that the margin for Dubai crude oil processed in Singapore initially dropped to \$4,60, but then recovered, topping \$5,15 on March 22, and \$6,39 on May 22. In contrast, Engen's refining margin averaged \$4,18 in the year to August 1995.

After a severe northern hemisphere winter, many analysts expected oil product prices to ease by mid-year, but it has taken longer than expected to replenish depleted stock levels, and summer petrol demand has been particularly strong in the US.

However, oil industry sources said although their earnings were better than expected at this time of year, published margins were usually higher than those actually achieved by oil companies. Many published margins assume refiners will maximise production of those oil products with the strongest prices, but SA refiners have to ensure they are able to meet demand for the whole range of products within local networks.

In addition, while published margins are instantaneous, reflecting conditions on a particular day, local refiners are subject to lags as a result of the six to eight week delay between purchasing crude and selling the oil products.

PETROL PRICE

(183)

AILING RAND OFFERS LITTLE COMFORT TO MOTORISTS

RM ₪ 14/6/96

Buckle up for higher costs

The world of oil is characterised by many and great uncertainties. But one prediction can be made with absolute certainty that petrol price increases — however caused — are intensely and universally unpopular. Petrol, in the words of Sasol executive chairman Paul Kruger, is a grudge purchase.

We don't have to look far for the most immediate cause of the remorseless rise in the SA petrol price — to 219c/l for 93 octane (leaded) in Gauteng. It's the fall in the rand of about 17% since February. This influence has been compounded by some net, if erratic, firming in international crude oil prices. Brent light crude, as low as US\$16/barrel mid-1995, hit a high of almost \$24 in April 1996, though it has since slipped back to around \$18,50.

We have also seen a sharp increase in first quarter 1996 in Singapore refining margins, caused mostly by a maintenance shutdown of major Gulf and Far Eastern refineries, in parallel with a high demand for petrol in Asia. Petrol's price behaviour has deviated from diesel in recent months, because diesel's international price has been stable or even falling.

All these influences have fed through to the price forming the basis of SA's regulated petrol pricing system — the so-called in-bond-landed cost (IBLC) procedure. This is used by SA, in common with many other oil importers, as a net-back arrangement which puts pressure on local refiners to match international efficiencies. If they exceed the benchmark, their profits benefit accordingly.

This is achieved by calculating a notional import price for petrol, based on prices prevailing at a number of modern, large-scale refineries surrounding the Indian Ocean. The formula — unchanged for many years — has recently been revamped to use prices at a more repre-

sentative selection of refineries. The result was a modest, one-off reduction in the IBLC. Graph 1 shows the extraordinary volatility in recent IBLC prices, as well as an erratic upward trend.

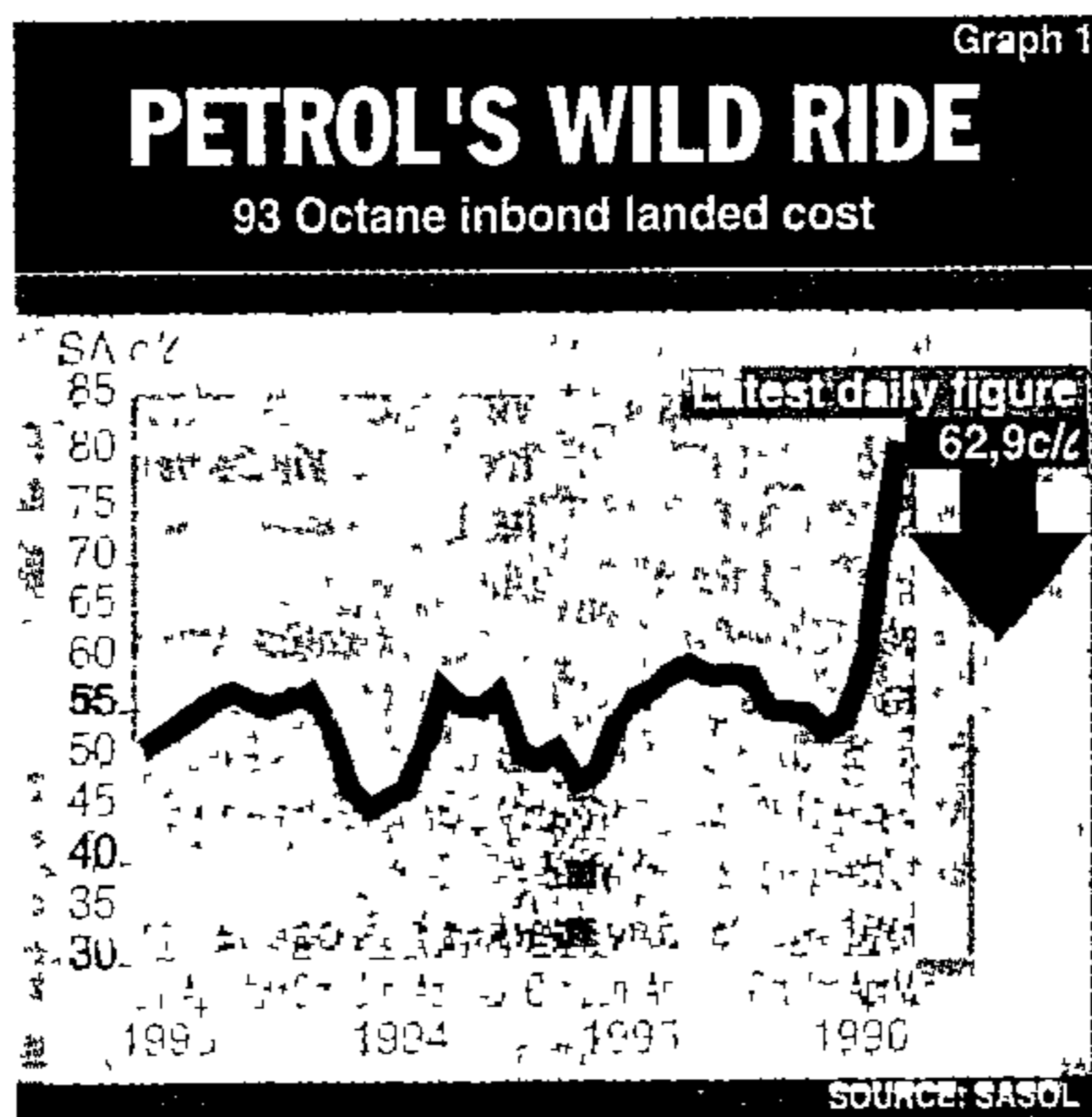
Graph 2 shows how the pump price is built up from the IBLC by adding pricing elements, including trading margins, along the chain leading from refinery to the local petrol station. Included in the current items is 6c/l for the Equalisation Fund — the long-standing mechanism used to pay assistance to Sasol.

Sasol's assistance is no simple ad valorem or money amount. It was designed, on a basis of dollar/rand purchasing power parities, to relate the long-term averaged cost of producing synthetic fuel on the Highveld to international crude oil

measured at Dubai to \$19/barrel until the end of this month, when there would be a further reduction to \$18/barrel for the remainder of this year. Further reductions would reduce the floor price to \$16/barrel by July 1999, following a set of proposals by accountants Arthur Andersen. Protection would be further reviewed in June 2000. Cabinet also decided that an improved protection mechanism would be devised during 1996, but there's no indication that this has yet been done.

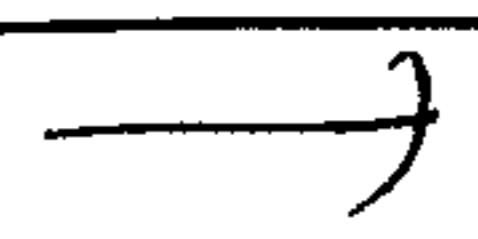
Sasol's assistance has been the subject of deep controversy over the years. SA's legion of Sasol-haters may be surprised to learn that at the last (monthly) calculation of the "derived" (that is, formula-based) dollar oil price, it came out below the Dubai light price, so that Sasol will enjoy no tariff protection for June. There has since been slippage in international oil — but don't forget that the floor price will be reduced to \$18 from next month onwards. Presumably, the Central Energy Fund, which administers the pricing mechanisms, is collecting 6c/l for its latest calculation period (starting June 6), because the momentary decline in the oil price may yet entitle Sasol to some payment.

Why should we now be confident that oil prices will not return to \$16/barrel or less in the next few years? Oil demand was badly dented by Opec's series of price offensives, but has recovered after a valley period of moderate prices to the present 68m barrels per day (BPD), driven significantly by rapid Asian industrialisation. The former USSR collapsed as an exporter, while the US has struggled to maintain supply from its ageing fields. Iraq was knocked out as a supplier, while the rest of Opec has fought to maintain even relatively low prices through restricting output. But the rest of the world has filled the gap, with Mexico, Britain and Norway between them contributing more than 9m BPD. Opec's



prices. The formula was revised downwards rather sharply in December 1995 to take account of various changed circumstances, such as the end of sanctions and increased production efficiencies at Sasol's Secunda synfuels plant.

Kruger then indicated that the dollar floor price above which assistance would not be received would be reduced with effect from January this year, from the then current \$21,4/barrel for light crude



share of output has fallen to a little less than 40% of the total

However, industry views are more cautious, allowing for some negative factors. These include, most notably, a major return by the Russian Federation to export markets after rehabilitation of its fields. Sapia director Collin McClellan points out that the Sasol assistance would revive if oil prices fall further. Shell SA considers a mild downward movement likely in the medium term, with Brent crude trading at \$16-\$17. However, despite the market having been forced to anticipate the return of about 700 000 BPD from Iraq, Brent July futures are still more than \$18/barrel. So Shell may be too pessimistic, especially in the light of continued surging economic growth in East and South Asia.

The next major issue is tax. Graph 3 shows that this country is still not excessively taxed compared with a selection of major European countries. At a time when Inland Revenue is in a state of near-collapse, government must be grateful to have an easily collected, indirect tax at its disposal. In terms of overall fiscal management, it would be a dangerous populism to reduce the tax take from liquid fuels.

Can one go further and support the imposition of dedicated levies for roads and road accident insurance? Arguably, yes — as these costs are linked to road usage. But we must acknowledge counter arguments against any form of dedicated levy, though their impact is weakened by the knowledge that road building and maintenance and — alas — accidents, will always be with us.

The issue of the SA exchange rate as a petrol (and diesel) price influence needs to be examined in a macroeconomic context. Though the rand's fall has probably been overdone by, say, 5% or more, the currency was previously overvalued, a state of affairs undesirable in the present context. A moderately undervalued rand could work well for growth, provided its influence on dollar-denominated costs is not

nullified by a rapid rise in inflation, and hence in rand costs.

What's the implication for the petrol price? We must recognise the tremendous pressures on government from its constituencies to nullify the increase in fuel costs through subsidies, reduction in tax or other arrangements. If the price mechanism is allowed to do its work, it will moderate the demand for liquid fuels and stimulate the use of bus and rail transport at the expense of taxis, cars and trucks. This must be the free market

The issue that remains is that of deregulation.

This, in SA, encompasses not only the removal of the various administered margins allowed at each stage of the production and distribution chain for liquid fuels. Even, if as now seems highly probable, the Sasol subsidy issue can be relegated to economic history, there's also a thicket of restrictions governing the relationship between Sasol as liquid fuel producer and the retail marketing arms of the oil companies.

Matters are not simplified by the fact that Sasol is allowed a modest amount of marketing inland through its Blue Pumps and that it is itself a significant refiner of imported crude at its Natref refinery in which Total has a 36% interest. Sasol, for example, is contracted to sell the balance of its own output to the oil companies for their retailing arms.

It's interesting that the oil companies appear to have weakened in their earlier strong stance against deregulation. Is this merely a ploy in their constant struggle with Sasol over their differences of commercial interest with the synthetic fuel producer?

Last, but not least, is the current state of regulation of petrol stations through the Ratplan, which limits entry to the trade. This, in conjunction with a fixed retailing margin, effectively prevents discounting of petrol (but not of diesel) and the establishment of self-service stations, now the predominant form of trading internationally.

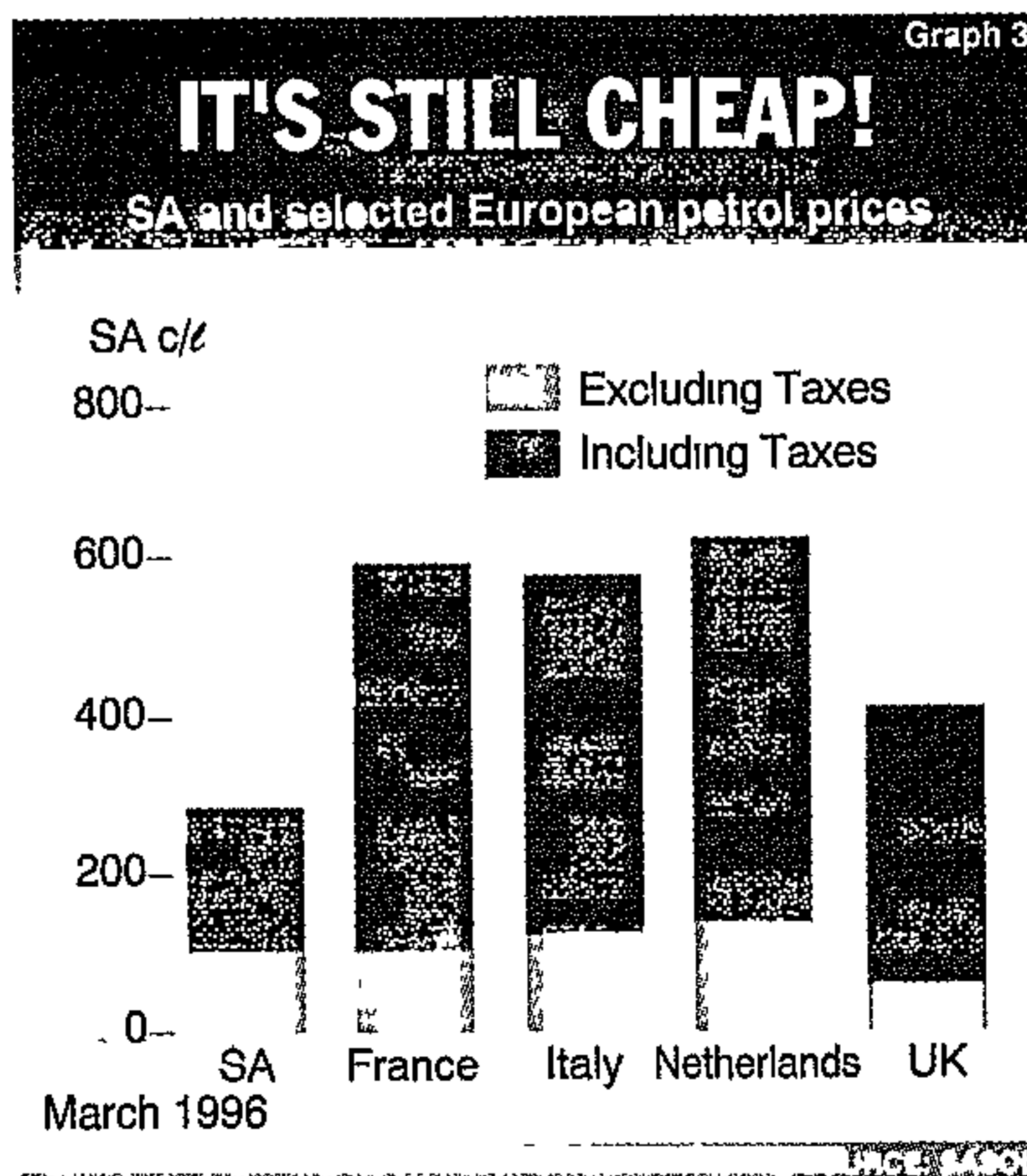
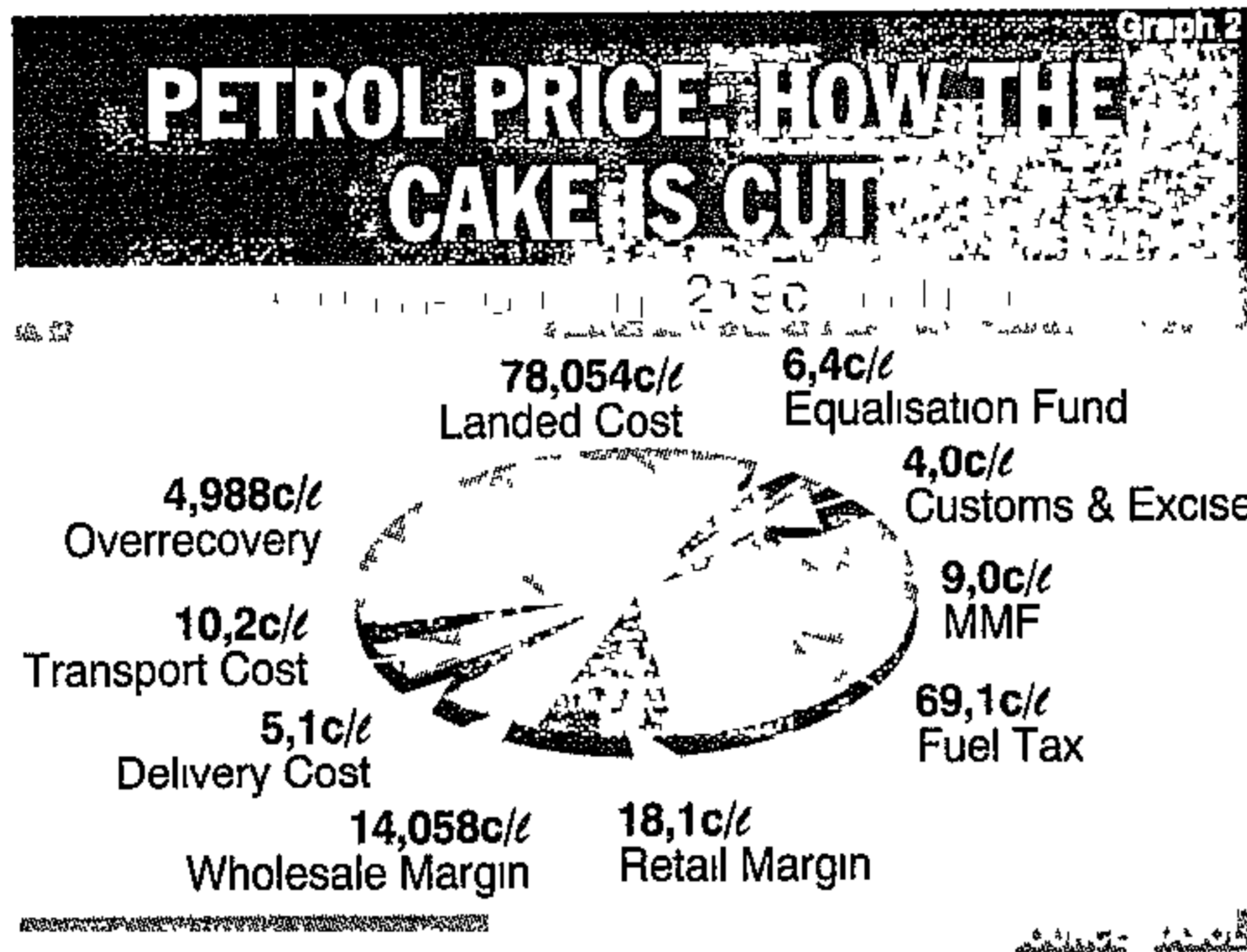
The FM strongly supports deregulation as a general principle. But we should also recognise that security against armed robbery at virtually unmanned stations should be a major consideration.

Cosatu will also resist furiously any move which would erode forecourt employment, now above 30 000. However desirable the principle of complete deregulation of liquid fuels, negotiations to secure this goal will be long and arduous.

Under existing circumstances, motorists should respond to higher

prices through more frequent tuning of their vehicles, inflating tyres correctly and planning journeys systematically.

Lastly, there has been 5c/l over-recovery for petrol as at June 5, giving some scope for a modest reduction unless international prices or the rand move adversely. ■



route to follow. From all this, it follows that any major reduction in the petrol price is unlikely, though a modest recovery in the rand — coupled with stable or moderately declining international oil prices — could perhaps bring 10c/l relief. But prices near or under R2/l appear utopian in the foreseeable future.

MALAYSIAN CONNECTION

ENDORSED BY MARKET

(183) FM 21/6/96

Poised for joint African venture

The market's verdict on the R1,88bn investment in Engen by the Malaysian national oil and gas company Petronas was swift and clear — when the suspension of the local company's share was lifted on Tuesday, the price immediately jumped 20,2%, gaining 525c to R31,25

For almost three years, the share had been mired below R30, having fallen from the peak of R53,25 set in February 1993

It was reflecting investor concerns about the current performance and uncertainty about when growth and acceptable returns would be resumed. In 1995, net income fell 72%, the 55% recovery in income at the February interims was still below expectations

After much speculation, it was revealed last week that Petronas will acquire a 30% stake in Engen, making it the largest shareholder. Sanlam and Rembrandt will reduce their stakes, with Sanlam retaining about 15%-20%. A rights issue will raise around R600m

It's not yet clear how soon the deal will have a direct impact on earnings. It may be some time before concrete effects — whether better sales volumes or improved technical efficiencies — are evident to outsiders

But it's an important new international partnership which will focus attention far more closely on Engen's distinct strengths and on what it has achieved in the past five years, and less on the disappointments and constraints. It should now be viewed as a lower-risk company, with stronger fundamentals and better long-term prospects

This could also turn out to be a catalyst for further structural change in the domestic oil and fuels industry. It greatly strengthens Engen's hand should it enter into negotiations with local companies, such as Sasol, or should deregulation of the oil industry eventuate. Engen's man-

agement has campaigned vigorously for deregulation and the espousal of free market principles

And its management could well feel that it has now gained some vindication for difficult decisions taken in recent years, as well as the pain the company



Rob Angel



Bernard Smith

and shareholders endured in the process. These would include the Project Discovery, a cost-cutting and restructuring process pursued by MD Rob Angel, intended to make Engen internationally competitive. Its employees were cut from 3 912 in 1991 to 2 778 last year

Engen shifted its identity from an aspiring international energy market player to being the pre-eminent African oil company, sub-Saharan Africa was identified as the focus for expansion and growth

Some of the more severe restraints on Engen's earnings are beyond management's control. Most prominent are the international refining margin, linked to overseas markets, and the domestic wholesale marketing margin, controlled by government

The international refining margin is the most important determinant of the margin and profitability achieved at Engen's expanded refinery at Durban. In his 1995 review, chairman Bernard Smith noted that during the year this margin had reached its lowest in eight years — well below the levels envisaged when Engen embarked on its two-phase, R1,47bn refinery investment in 1991

However, this margin improved during the six months to February. Smith now says it has hardened "quite dramatically" during the past six to eight weeks. "We are doing well out of it now," he says

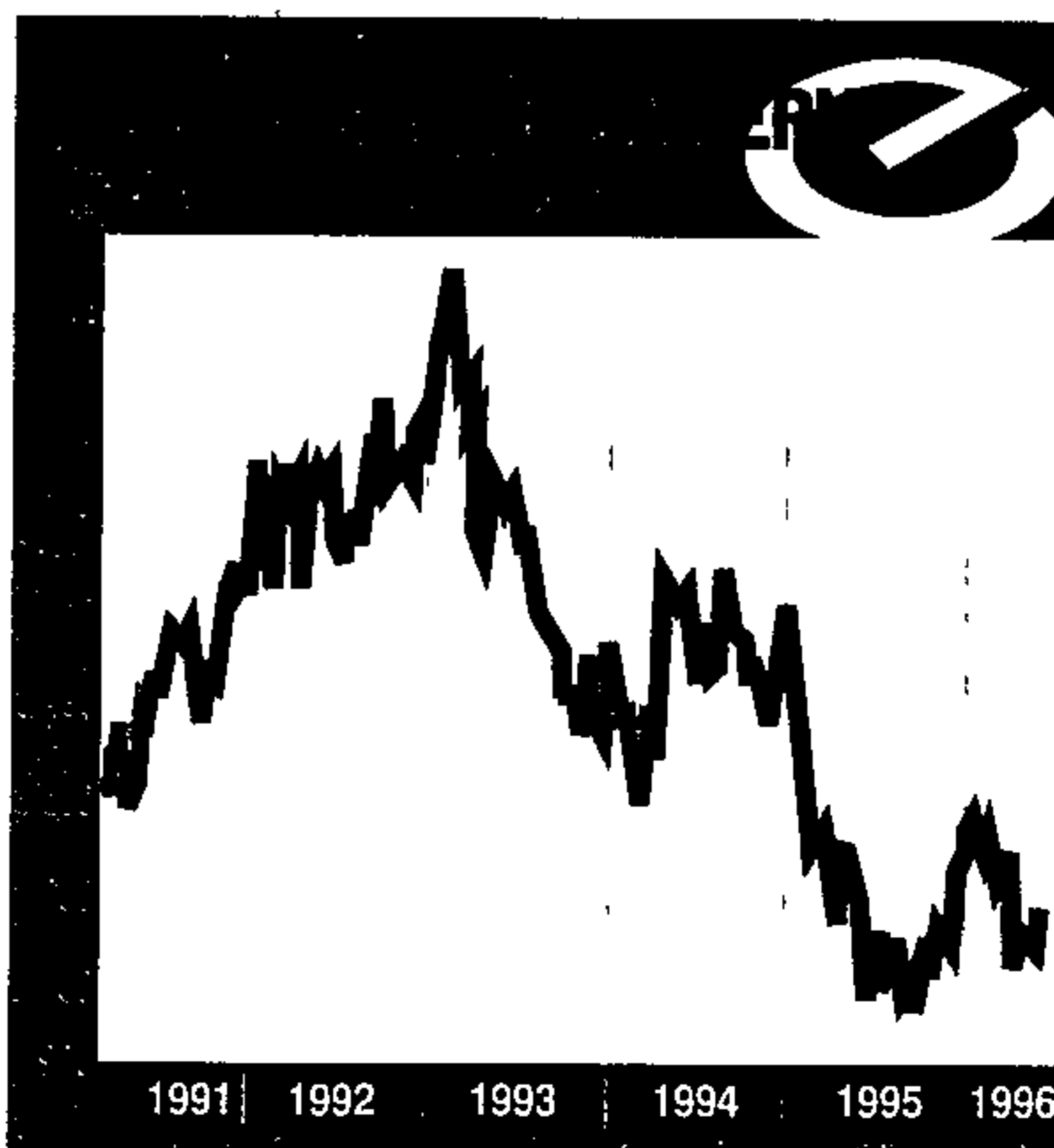
On the other hand, full benefits of the upgrade depend on the price differential between light and heavy crudes returning from the current relatively low level to the historical trend — that hasn't happened

The wholesale marketing margin affects profitability of the company's activities in the domestic retail fuel market, where it's the market leader. Government has not increased this margin for more than three years, despite inevitable cost increases

There are numerous other aspects of SA's arcane and complex system of oil industry regulation which, Smith lamented, have hurt profitability

Last year, he said that "haphazard changes" had effec-

Continued on page 30



Continued from page 26

tively cost Engen R150m In the 1994 year, two actions by government — the removal of the synfuel levy payment and the introduction of an interim (and lower margin) pricing system for petrol and diesel — was said to have cut Engen's earnings by R100m

Some other difficulties and constraints to Engen's ambitions, it may be argued, are related to the nature of the company itself, and could be eased with the involvement of a large foreign partner with experience and deep pockets

MD Rob Angel contends both parties involved in the Malaysian deal will gain "In Petronas, Engen has gained a strong upstream partner, significant refining expertise, a breadth of operating experience and exposure to foreign markets

"Petronas acquires a stake in the number one African oil company, which has a dominant retail presence, a 105 000 barrel/day (BPD)

refinery and a 60% share in the JSE-listed exploration and production company, Energy Africa This agreement will allow both Engen and Petronas to pool their collective expertise in refining, crude sourcing and product marketing," Angel says

Petronas, wholly owned by the government of Malaysia, is a fully integrated oil and gas company engaged in a broad spectrum of oil, gas and petrochemical operations It ranks, respectively, as the 22nd and 11th largest holder of oil and gas reserves in the world

Among its refining interests, Petronas owns and operates two refineries in Malaysia, with a combined refining capacity of 140 000 BPD, which will increase to 240 000 BPD day in 1997-1998 following the commissioning of a third refinery being built in a joint venture with Conoco and Statoil

This experience in refining should mean an immediate advantage for Engen Commissioning of the second phase of the Durban refinery expansion was not a smooth process Difficulties were blamed partly on disruptions in electricity supplies, but the operational performance was plainly below expectations Smith tells the *FM* that the refinery is now "working well" and producing at almost full capacity

There are plans for exchanges of personnel between Engen and Petronas, to develop joint areas of technical and commercial expertise while providing wider exposure to different international practices Refining is an activity that could benefit from this

Both companies have extensive experience in marketing and supply of fuels Engen is by far the leader in the local fuel retail market, with a market share at the last financial year-end of 24,2% In Malaysia, Petronas is the market leader, with a share of about 30%

More to the point, both companies

1998, diesel until beyond the end of the century

SA's fuel consumption is linked closely to economic activity, particularly gross domestic expenditure In Engen's 1995 year, total local demand grew by 5,6% — well ahead of the 3% economic growth As demand in the domestic market continues to grow, more of the product export from local refineries will be diverted away from exports and back towards meeting local needs

Smith points out that Engen's foreign sales do not depend solely on the available output from the refinery Product is also bought-in for sales abroad, and these volumes would probably increase as the offshore activities grow

Here, too, Petronas could play a part, as it has extensive upstream interests and could assist with the supplies of crude oil as well as the downstream products

Within a few years, Engen will have to take a decision on further expansion of its refinery Smith says this has not yet been looked at But on current rates of consumption, it's forecast that the oil industry will again be expanding by the end of the decade

This raises another potential role for Petronas Since its refinery investment started, Engen's capital spending has exceeded R2bn This absorbed a R1,1bn rights issue in 1991, and at last balance sheet, net debt exceeded R1bn, gearing was 30%, high for current profitability

Smith says the R600m to be raised in the rights issue will not simply be used to retire debt

There are other plans for this money, which will help to fund the company's expansion So there's little point expecting earnings to benefit from lower interest charges But the presence of Petronas must have facilitated the rights issue — and the Malaysian company could be a valuable source of capital later, whether through joint ventures or further rights issues

Some analysts have responded by revising earnings forecasts for next year upwards, others felt it would be premature to do so until the effects are clearer A price around R31 is seen as fair value for now

This deal must have improved Engen's prospects of again being regarded as a growth stock — though evidence of sustainable improvement in market conditions and margins is needed to confirm this *Andrew McNulty*

FINANCIAL FLOWS					
	1991	1992	1993	1994	1995
Turnover (Rbn)	6,10	6,58	7,72	8,75	9,00
Production (Rbn)	421	522	594	498	131
Net income (Rbn)	286	424	480	416	116
Return on earnings (%)	11,9	10,0	16,4	13,1	3,5
Return on assets (%)	7,7	9,2	8,3	6,5	1,8
Total assets (Rbn)	3,73	4,50	5,79	6,37	6,42
Employees	3693	3912	3751	3227	2778

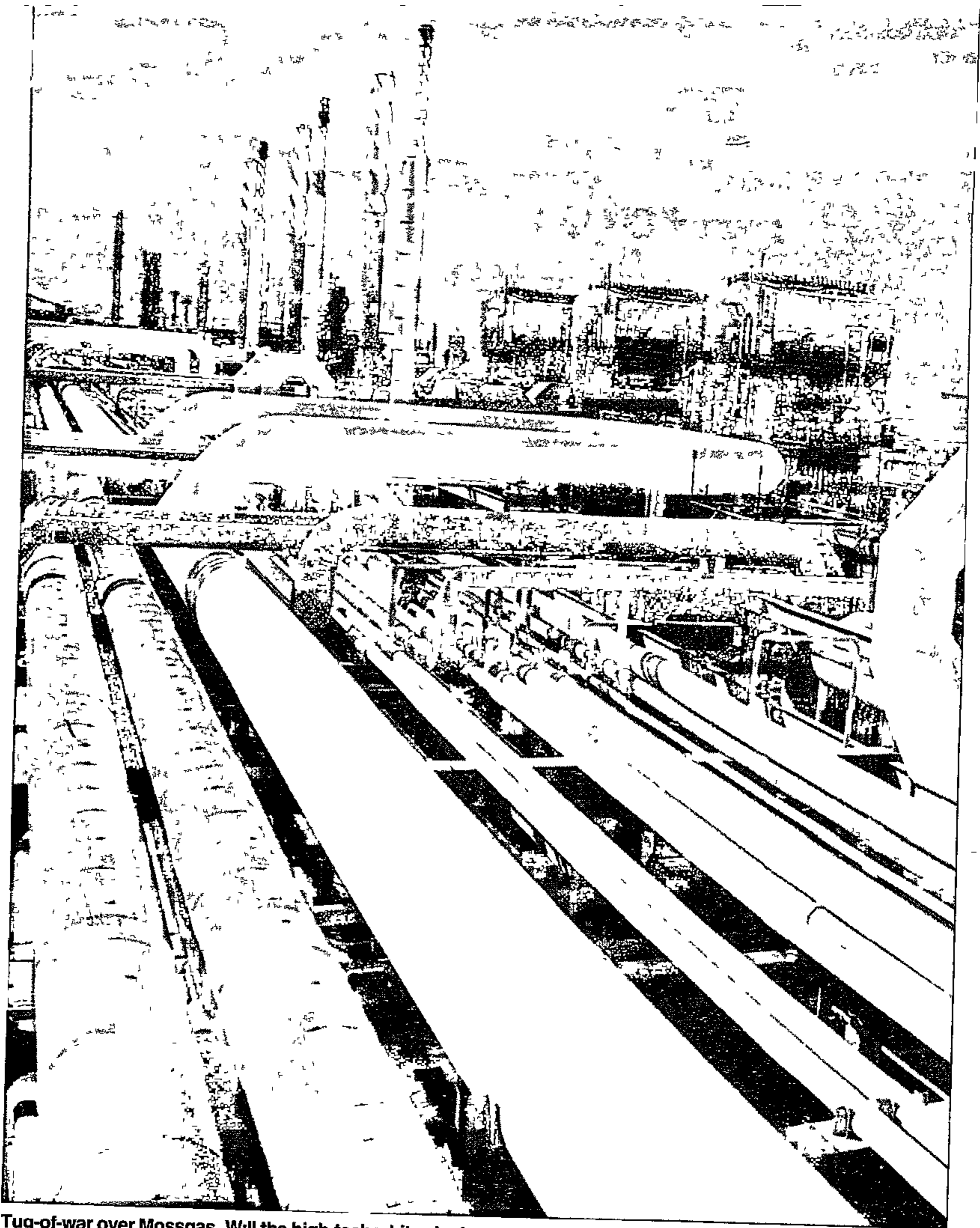
Before extraordinary items SOURCE: ENGEN ANNUAL REPORT

have international aspirations Petronas is currently establishing retail networks in Cambodia, China, Thailand and the Philippines Smith says Engen will be the vehicle for its ambitions in Africa "We have been, and are, looking at specific ventures in Africa," he says This could be where shareholders will first see the most tangible effects flowing from the deal It could include the establishment of service station networks in other countries, as well as product supply agreements

"The advantages of marketing in Africa should be seen in the medium term," says Smith "That means months, not years"

Exports are already important to Engen Latest figures have not been released However, a couple of years ago (before the second phase of the refinery expansion was complete), exports were more than 13% of the company's sales volumes and 20% of its refinery volumes

Some of the sales to foreign markets has been aimed at absorbing excess capacity at the enlarged refinery Engen is not alone in this By last year, all SA's four refineries had been expanded, creating excess capacity to the local market The SA coastal refiners had to export the difference Gasoline is expected to remain in surplus in southern Africa until about



Tug-of-war over Mossgas. Will the high-tech white elephant ever leave state hands?

Final lap for Mossgas sale

(193) MCG 7-13/6/96 (BM)

Mungo Soggot

THE privatisation of Mossgas will enter the final lap this month when the deadline for interested buyers passes on June 14.

Government and the merchant banks handling the sale hope to find a buyer by October. While they sift through the offers, they will pin an order of priority to sale price, jobs, foreign exchange savings and other sale "criteria".

But despite the expense of hiring merchant banks and advisers to steer the sale there remain some government officials close to the process who

are not keen for Mossgas to be sold.

They want Mossgas to become part of a national oil company — Sanoco — which would also include Engen, Sasol Oil and Mossgas's sister company, state exploration group Soekor.

Although the Sanoco backers, who reside in the finance and trade and industry departments, have touched on the plans with the companies involved, there has so far been no open debate about the merits of a national oil company. It was never stated as policy by Minerals and Energy Affairs Minister Pik Botha.

Sasol said last month it had "had dialogue" with government about Sanoco.

Mossgas (1&3)
ST (6) 7/6/96
staff say
they will
buy the
monster

WITH the deadline for Mossgas bids one week away, the staff and management of Mossgas have surprised everyone by signalling their intention to offer for the plant, writes CIARAN RYAN.

This raises the possibility of a broad coalition of interested parties, including Mossgas's 1 000 management and staff, making a joint bid for the synthetic fuels producer.

"An equity buy-in by Mossgas employees could be an attractive proposition for some of the other bidders, because they have the expertise in running the plant," says a senior Mossgas source.

Among the other parties known to be interested in Mossgas are the Sasolium, which has plans to use the plant for methanol production, and a consortium led by Germany's Thyssen Several US companies are also reportedly interested in making a bid. Taiwan's Chinese Petroleum Company, which had been interested in acquiring Mossgas as part of a larger petro-chemicals development, has decided instead to invest in Thailand. The deadline for "indicative bids" is 14 June, when the serious horse-trading begins.

Bidders are unlikely to show their hand until the very last minute and most will attach preconditions to the bids. In the preliminary investigations, several potential bidders indicated the need for special investment incentives, such as a lower tax rate, import protection, local lower incentives, such as lower harbour and freight rates and the abolition of exchange control. Complicating the process is the fact that Mossgas runs out of gas in a year and needs to commence drilling nearby satellite gas fields in July this year to avoid any loss on production in 1997. The company has awarded contracts to supply equipment valued at R200-million in preparation for the drilling, but the government has reserved the right to back out of the main R380-million drilling and project management contract should bidders decide they do not want the satellite gas fields.

SA's fuel laws 'are too fragmented'

Lukanyo Mnyanda

(183) 11/6/96

SA's existing petroleum legislation was too fragmented, and not conducive to attracting foreign investment, state explorer Soekor said yesterday.

Soekor said the country needed a stable, homogeneous and facilitating environment for the development of its upstream oil and gas industry.

"SA is now part of the global community and must compete with others in securing the foreign investment and participation so necessary for its continued growth and development."

The ideal would be the inclusion of all legislation relating to the upstream oil industry in a single new Petroleum Act.

SA had to create legislation applying uniformly to the whole onshore and offshore areas of the country, and the company called for the reconsolidation of exploration and production rights under state ownership.

Soekor also called for the consolidation of tax provisions and the reduction of taxation to align with international trends and local oil prospects.

Sasol cuts 20% of its synfuel posts

Business Day Reporter (183)

SASOL has cut about 20% of the top management posts within its synthetic fuels division, in restructuring driven by the removal of its state support

The group, which is spending more than R100m reshaping the division, said last week that four separate divisions — Syngas, Synref, Synserv and Sasdiens — had been scrapped in the shake-up, and replaced with 17 operating departments

One reporting level had been removed, with the 10 affected senior staff redeployed or given early retirement.

Sasol said "no final decision" had been taken on reshaping affecting less senior staff. It has previously said there would be losses among the division's 7 500-strong workforce

"The main focus of the transformation process is on cost-saving measures in all operational activities, after

BD 11/6/90
which the final impact on human resources will be assessed in collaboration with all employees and their labour unions," the group said.

Sasol said the new management structure could devote "special attention" to the development of the division's core technology.

The plans were being driven through with union involvement. The SA Workers Unie and the Mine Workers' Union had agreed to form part of the planning groups, though the larger Chemical Workers' Industrial Union was not involved in the planning.

Sasol has been forced into the restructure following the Cabinet announcement in December that the group's tariff protection — worth about R1bn last year — would be gradually scrapped. The support, halved this year, will end by 1999, cutting just over R2bn from Sasol's cumulative profit in the four years to 1999

Big transaction should benefit share price

Engen shares suspended pending deal

(183)
BD 12/6/96

Reinie Booysen

LOCAL oil group Engen caught the JSE offguard yesterday by suspending its shares pending a major deal likely to strengthen its balance sheet ahead of the bloodletting expected to follow oil industry deregulation.

The group said yesterday its shares would be suspended "pending the announcement of a major transaction which should have a beneficial effect on the share price".

Engen's share price gave no warning of the news to come, closing at R26 on Monday, about R4 below the 12-month high of R29,75. Subsidiary Energy Africa, Engen's exploration arm, was not suspended.

Analysts said the deal would probably entail a substantial capital injection by a foreign company in exchange for Engen shares. Speculation about the most likely suitor ranged from US Mobil Corporation to European companies like French Elf Aquitaine, Italian Agip and even Saudi Arabian and Malaysian companies. In the absence of any cautionary notice or share sus-

pension, analysts eliminated Sasol from the equation.

According to the MD of one major SA oil retailer, Engen's courtship of a foreign partner is a pre-emptive bid to strengthen its balance sheet ahead of the bloodletting likely after deregulation of the SA oil industry. "Engen is the only local company without a major international supporter in the background to provide technological expertise — and it shows in their apparent inability to operate their refinery efficiently," said the oil executive.

In early speculation US Mobil Corporation was the odds-on favourite among analysts and industry executives to re-enter the SA oil market after disinvesting in 1986 and take a major stake in Engen. The assets sold by Mobil to Gencor for \$400m eventually formed the core of Engen. But a senior Mobil source last night told Business Day from the US "We don't see any reason for Mobil to be involved."

Last year Engen withdrew from negotiations to merge its operations with

Continued on Page 2

Engen (183)

Continued from Page 1

Sasol, purportedly due to a separate legal tussle between Sasol and French-controlled Total over their jointly-owned Natref refinery on the highveld.

According to industry sources, however, Engen's motive for withdrawing from the Sasol talks was that it realised that it would be swamped in the merger due to its inferior asset base.

"Engen's shareholders have realised that now is the time to fatten the

bride for the eventual wedding with Sasol. In that way they aim to end up with sufficient assets to retain control of the merged entity, which will become the dominant force in SA oil," commented the oil executive.

The Engen news surprised even the leaders of the SA oil companies gathering in Johannesburg for a meeting of the SA Petroleum Industry Association. "We spent a fair time discussing it," said one Engen CE Rob Angel, who withdrew at the last minute from a speech engagement at the sub-Saharan oil and minerals conference.

stamp editions in relation to the world rugby champions, the Masakhane campaign, the Gandhi commemoration and the Africa Cup of Nations

- (2) Future issues relate to the new Constitution, the Comrades Marathon Youth Day, the Olympic Games, Women's Day and the Nobel Centenary Year. There is a full list which I can give to the hon member

Government departments' zero rate budgeting

*6 Mr M F CASSIM asked the Minister of Finance

Whether zero rate budgeting is being implemented in respect of all Government departments, if not, why not, (a) to what extent and (b) when will this goal be fully achieved?

N900E

The MINISTER OF FINANCE Madam Speaker, the answer is no, because nobody knows what zero rate budgeting is. We searched every textbook on fiscal management and called the IMF and the World Bank, but nobody has ever heard of zero rate budgeting. That is why we have not implemented this system. [Laughter] [Interjections]

Increase in applications for legal aid

*7 Mr A J LEON asked the Minister of Justice

- (1) Whether there has been an increase in the number of persons applying for and receiving legal aid from the State following the commencement of the interim constitution in 1993, if so, (a) why and (b) what was the extent of the increase,

- (2) whether existing schemes for providing legal aid have been adequate to meet the increased demand, if not, (a) why not and (b) what steps are being taken to rectify the inadequacies, if so, what are the relevant details?

N901E

The MINISTER OF JUSTICE Madam Speaker, I have a fairly lengthy reply, but I will read it as quickly as I can

- (1) Yes

- (a) It is not possible to state with certainty why there has been an increase in the number of persons applying for legal

aid. Some of the reasons may be the following

- (i) The policy of the Legal Aid Board is to provide legal aid to the needy wherever possible
- (ii) The Legal Aid Board is working to instil confidence in the legal system

(iii) The Constitution may have encouraged members of the public to seek legal representation from the State

(iv) The board has initiated disciplinary steps against lawyers for poor or inadequate representation

(v) The Board has established a network of 24 law clinics throughout the country and a public defender's office. Much work has been done to promote legal awareness and the availability of legal services through these offices

(vi) Additional funds have been allocated for legal aid

(b) Legal aid instructions granted to-

67 103 in 1992-93
79 500 in 1993-94
85 231 in 1994-95
110 992 in 1995-96

(Year 1 April to 31 March)

(2) (a) Thus far the system has coped with demand, but many people still appear in court without legal representation and others do not apply for legal aid despite such need. In addition, legal aid was not available, or only available on a limited scale, in the former TBVC states. Once the amendment to the Legal Aid Act, 1969 is promulgated, the operation of the Act, and therefore the operation of the Legal Aid Board, will be extended to the whole of the South African territory

(b) The board has utilised in-house legal staff through the Office of the Public Defender in Johannesburg and its 24 national clinics to expand legal repre-

sentation at affordable cost. Approximately 15% of legal aid matters are dealt with by this staff. The balance are handled by lawyers in private practice

Funds will have to be made available for legal aid as the demand for such services increases, particularly in new fields such as matters coming before the Constitutional and Land Claims Courts. Legal assistance through paralegals is also under consideration. The board has already expanded legal representation in courts as required by the Constitution and has plans to further expand these services.

The board also envisages the following steps to rectify inadequacies

- The expansion of its law clinics to 36
- The expansion of the Public Defender service in metropolitan areas
- The negotiation of acceptable fee structures with private practitioners to encourage lawyers to become involved in providing legal aid
- The further extension of legal aid in the former TBVC states
- The simplification of finalisation of accounts of private practitioners and payment of the moneys due

Political party: money unaccounted for

*8 Mr D H M GIBSON asked the Minister of Home Affairs

- (1) Whether his attention has been drawn to allegations that an amount of money allocated by the Government to a certain political party, the name of which has been furnished to his Department for the purpose of his reply, for the purpose of providing financial assistance to the said party's campaign for the 1994 general election, is unaccounted for, if so,

- (2) whether he intends taking any steps in this regard, if not, why not, if so, what steps?

N903E

The MINISTER OF CORRECTIONAL SERVICES (for the Minister of Home Affairs)

- (1) Neither my department nor I has been involved with or has responsibility for the administration of the State Electoral Fund. That is the responsibility of the IEC, which advised me as follows

In accordance with the provisions of the Electoral Act, 1993, full audited statements have been requested from all political parties which received contributions from the State Electoral Fund. In a number of cases, including that of the PAC, the statements submitted were initially neither complete nor satisfactory. The matter has been followed up on an ongoing basis and some of these deficiencies have been rectified or are in the process of being rectified. The present position of the PAC, as with some other parties, is that their audited statements do not yet meet all the requirements set by the Electoral Act, 1993, and the Independent Electoral Commission

(2) It is expected that the Independent Electoral Commission will be in a position to wind up the State Electoral Fund towards the end of August 1996. A report will then be submitted to the Auditor-General

(2) Political parties will be requested to return such funds (if any) not accounted for in the prescribed way. It must, however, be pointed out that the Electoral Act, 1993, provides no legal sanctions. If any such request indeed eventuates and fails to elicit a favourable response, it would be up to the Auditor-General and Parliament to deal with the matter

The MINISTER OF JUSTICE Madam Speaker, the Minister of Health apologises for her absence and asks that Question 9 stand over

*9 Mr M J ELLIS—Health [Question standing over]

*10 Mr K M ANDREW—Finance [Withdrawn]

Price of diesel fuel

*11 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

(183)

(214)

- (1) Whether the price of diesel fuel oil was increased in the past three months, if so, (a) how many times, (b) by what total amount during this period and (c) what was the reason for the increase in each case.
- (2) whether he will make a statement on the matter?

N9006E

THE MINISTER OF MINERAL AND ENERGY AFFAIRS

- (1) (a) Yes, three times
- (b) The total amount of the increase was 13 cents per litre (c/ℓ). It increased by 3 c/ℓ in March 1996, by 7 c/ℓ in April 1996, which incorporated a fuel tax increase of 3 c/ℓ, and by 3 c/ℓ in May 1996
- (c) Except for the 3 c/ℓ increase in the fuel tax in April 1996, the reason for the increases was the same in each case: an increase in the international oil and product prices and a drop in the value of the rand against the collar, from US\$1 = R3,93 to US\$1 = R4,37

- (2) The Liquid Fuels Industry Task Force (LITFF) with representation from business, labour and Government, recommended in 1994 that fuel price adjustments in respect of controlled fuel products, namely petrol, diesel and illuminating paraffin, be adjusted, if required, on the first Wednesday of each month based on the prevailing international market price of these products and the rand/dollar exchange rate. The Cabinet approved this recommendation on 28 September 1994 and on Wednesday, 5 October 1994 the first adjustment was effected in terms of the new mechanism. The fuel pricing mechanism as agreed to by the LITFF is administered by the Central Energy Fund (Pty) Ltd and audited on a monthly basis by an independent audit firm.
- Cef releases a monthly media statement in respect of fuel price adjustments. Information in respect of the daily and average unit over/underrecoveries on petrol, diesel and illuminating paraffin are also published in the media on a daily basis.

Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly

SABC: certain person employed

*12 Ms M SMUTS asked the Minister for Posts, Telecommunications and Broadcasting

- (1) Whether a certain person, whose name has been furnished to his Department for the purpose of his reply, is employed by the SABC, if so, (a) what is his annual salary, (b) in what capacity is he employed and (c) what are his principal responsibilities,
- (2) whether the said person has been charged with or convicted of any crimes, if so, what are the relevant details,
- (3) whether he will make a statement on the matter?

N9077E

THE MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING

The Chairperson of the SABC has informed me as follows

- (1) The said person (Dr Adam Klein) is not a permanent employee of the SABC
- (a) Consultancy fees 1 March 1995-31 October 1995 = Total R861 840
- (b) The said person did perform consultancy services to the Corporation during 1995
- (c) Management consultancy
- (2) The said person had been charged and convicted in November 1995 for contravening the foreign exchange regulations
- (3) Dr Adam Klein is visiting the USA and is not available for comment. The SABC has no intention of employing the said person in the future, either as a full-time employee or as a consultant. On a related matter, the SABC now has a "Consultants Policy" in place to ensure that proper procedures are followed prior to the appointment of consultants

Houses built by public sector

*13 Mr K M ANDREW asked the Minister of Housing

- (a) How many houses were built by the public sector during the period 27 April 1994 up to 27 April 1996 and (b) how many of these houses were built by small and emerging businesses?

N9088E

THE MINISTER OF HOUSING

- (a) and (b)

Record is kept only of houses which are being erected with the assistance of state funds. The details required are not readily available within housing departments at national or provincial level. To provide these details, the nine provincial administrations will have to approach local authorities. This will entail a very time-consuming process that will not be economically justifiable.

However, since the implementation of Government's Housing Subsidy Scheme on 15 March 1994 until 30 April 1996, 47 191 individual ownership subsidies were approved by the nine provincial housing boards within the framework of the subsidy scheme in respect of beneficiaries who had bought residential properties. Once individual ownership subsidies are approved, conveyancers are instructed to register transfer of the residential property in the name of the subsidy beneficiary. In the case of existing homes and completed homes in projects, this means that the beneficiary can take occupation of the home soon after registration of transfer or earlier if the agreement of sale so provides. Where the housing unit is still to be constructed, indications are that construction is completed within two to three months after registration of transfer.

*14 Mr A J LEON—Public Service and Administration [Question standing over]

SA criminal law system: corruption

*15 Mr D M BAKKER asked the Minister of Justice +

- (1) Whether his Department intends instituting an investigation into possible corruption in the South African criminal law system, if not, what is the position in this regard, if so, what sections are to be investigated,

- (2) whether he will make a statement on the matter? N910E

THE MINISTER OF JUSTICE

- (1) and (2) I had already indicated in my budget vote speech in the Senate on 15 May 1996 that steps are in the pipeline for an independent investigation and appropriate action in respect of corruption in our criminal justice system. I want to emphasise that in my speech I did not refer to "corruption in the Department of Justice" as reported by *The Citizen* newspaper of 16 May 1996, but to corruption in the criminal justice system. In this regard I referred to the following examples:

- (a) The failure to arrest gangsters and members of crime syndicates because of elements in the criminal justice system who co-operate with them
- (b) The lack of successful prosecutions because of—
- (i) poor investigations,
- (ii) disappearance of police dockets,
- (iii) non-appearance of witnesses at court, and
- (iv) the failure to place all the evidence before the courts

As indicated in my speech I had informed my counterpart in Safety and Security of my view. I am of the view that a toothless commission of enquiry would be wholly inappropriate. Therefore legislation is envisaged to provide for the establishment of special investigating units for the purpose of investigating serious malpractices or maladministration in connection with the administration of state institutions, state assets or public money, which includes an investigation into corruption in the criminal justice system. Such legislation will also provide for the establishment of special tribunals so as to deal speedily with cases arising out of such investigations. Such draft legislation will be made available for public discussion soon.

In addition and in co-operation with the SA Police Services, steps have been taken to eradicate corruption wherever it rears its head in the criminal justice system. Control measures to prevent corruption are also being implemented.

COMPANIES

Energy Africa expects gushers in West Africa and Mossel Bay



Pete Bartlett of Engen at the sub-Saharan Oil and Minerals conference which was held in Johannesburg yesterday. Picture ROBERT BOTHA

Reinie Booysen (183) #1
BD 12/6/96
ENERGY Africa, Engen's listed oil exploration arm, expects to see its first oil production from West Africa later this week.

In a presentation to the sub-Saharan Oil and Minerals conference, MD John Bentley said the Nkossa field off Congo, in which Energy Africa has a 4% stake, had reserves in excess of 300-million barrels. Bentley said a string of recent drilling successes in the region — particularly in the deeper waters — highlighted the potential of the region, and had recently sparked a resurgence in activity.

The company also expected production shortly from the E-BT field situated off the SA south coast, near Mossel Bay, in which it had a 20% stake.

"I am very confident that we will have production in Angola within the next couple of years. A recent discovery on Block 2/92 flowed at more than 9 000 barrels a day and it should be possible to bring it rapidly into production by using existing infrastructure," Bentley said. "We are currently drilling four exploration wells, one each in Namibia, Angola, Congo and Gabon, and we fully intend to maintain this aggressive exploration programme."

Bentley said Energy Africa would spend about \$20m on exploration and \$30m on development of oil fields this year.

Unions threaten mass action

MASS action against the current cost of petrol would hit the country later this month if the price was not reduced to R1,50 a litre, the SA Independent Trade Unions Confederation said yesterday.

Stayaways likely
Spokesman Success Matatsane told reporters in Pretoria such demonstrations would be "hostile" and might involve stayaways and strike action.

SAITUCO comprises 11 trade unions and claims a membership of 200 000.

Matatsane said the recent price hike of 14 cents a litre was unjustified and had caused further hardship to workers.

"Our own analysis of the Central Energy Fund's calculation of the petrol price has shown that about 40 percent of the amount paid by motorists was for unknown purposes," he said.

"A litre of petrol should cost no more than R1,50."

Matatsane said outgoing Energy and Mineral Affairs Minister Pik Botha had agreed to meet SAITUCO on the matter.

"We have asked for a meeting around June 18," he said. "Should we not get a positive response in this discussion, our protest will go ahead."

SAITUCO hoped to get the support of other interested parties such as taxi associations and the owners of filling stations.

Confident

Matatsane doubted whether the leadership of the Congress of SA Trade Unions would back the protest, but said he was confident Cbsatu members would join in the demonstrations - Sapa.

183

Sanetan 12/6/96

Maharaj cautioned on 6c rise in fuel levy

CLIVE SAWYER
Political Correspondent

(183) (210)

THE government has been urged to review its entire tax structure before introducing Transport Minister Mac Maharaj's proposal to raise the fuel levy by six cents a litre over the next two years

Mr Maharaj told the assembly yesterday that the money was needed to repair South Africa's road network, because its budget had a 40 percent shortfall

He proposed a fuel levy of 16c a litre - the current 4c with an additional 12c - for an expanded roads network.

Mr Maharaj said about half the money needed to make up the shortfall could be from existing tax on fuel

Ken Andrew, Democratic Party finance spokesman, said today "The fuel levy is a tax and should not just be added to existing taxes"

● See page 8

ARC 13/6/96

Coup for Total in SA's oil retailing

BD 13/6/96 (183)

Reinie Booysen

TOTAL SA has scored a strategic coup in SA oil retailing, quietly securing an option to lift its stake in the key Natref oil refinery from 36,3% to 50% should co-shareholder Sasol tie up with any other oil retailer

Industry sources said yesterday the French-owned group's option effectively gave it a trump card in the event that local oil giants Sasol and Engen ever re-enter merger negotiations, potentially resulting in the formation of the mooted SA National Oil Co, or Sanoco

"Total is now guaranteed a place at the Sanoco table," said one source. The Natref refinery processes 86 000 barrels a day of crude oil, yielding about 90% of "clean" oil products — mostly petrol, diesel, illuminating paraffin and jet fuel

Along with about 100 000 barrels a day of clean product from Sasol's synthetic fuel plants, it supplies most of the Transvaal, Free State and Northern Cape

"This substantially strengthens Total's defences as a minority partner in Natref, and would place it in an extremely favourable position to expand rapidly its highveld retailing network," one source said

Total's option was a compromise settlement agreed two months ago with Sasol on the eve of arbitration over the refinery's ownership

Neither company since then has been drawn on the deal that was struck. Total had argued that Sasol's decision to transfer its Natref shares from Sasol Mining to Sasol Oil in anticipation of the proposed merger with Engen had triggered a term in the Total-Sasol joint venture agreement granting Total an option to purchase Sasol's share in the refinery

The term is designed to protect minority partners against the possibility of a hostile party taking control of the refinery.

Sasol, according to sources, realised that it could have lost, and so agreed to the Total option. Total also acknowledged that it might have lost, and that the option was sufficient to secure its future in the SA downstream industry.

"Both sides realised that the downside was just too horrific to contemplate," said a source.

Total's major fear is that Sasol and Engen in combination in a deregulated market could target Total service stations in a price war, undercutting Total's prices and eventually forcing it to shut stations, which would undermine its refining interest.

"A refinery stake without a retail network is like a ship without a sea," a source said

Total also relies on oil product swaps to supply its network in areas away from its refinery. In exchange for surpluses from its Natref interest, Total gets product from coastal refiners.

SA oil firm in R1,9-bn foreign deal

The Argus Correspondent (183)

ART 14/6/96

JOHANNESBURG - South African oil company Engen today announced it had signed an agreement with Petronas Nasional of Malaysia for a 30 percent stake in Engen costing R1,9 billion. The deal was for co-operation

and development in Africa and the Indian Ocean rim.

Engen chief executive officer Rob Angel said the deal was of great significance for Engen shareholders and South Africa. "This is a massive vote of confidence in the country and, most important, to Engen management and staff."

QUESTIONS

Indicates translated version

For written reply

SABS: complaints

107 Mr K M ANDREW asked the Minister of Trade and Industry

- (1) Whether his Department has (a) received any complaints about or (b) been informed of problems regarding the (i) inaccessibility of South African Bureau of Standards regulations to persons working in hazardous environments and/or (ii) alleged failure of the SABS to inform such persons of amendments to SABS regulations, if so, (aa) what is the nature of such complaints or problems and (bb) what were the sources of the complaints or problems,
- (2) whether any action has been taken by his Department in this regard, if not, why not, if so, what action?

N217E

The MINISTER OF TRADE AND INDUSTRY

- (1) The Department has not received any complaints, neither has it been informed of problems regarding the inaccessibility of SABS regulations or alleged failure of the SABS to inform relevant persons of the amendments to SABS regulations
- (2) Falls away

Background information on specifications and codes of practice relating to hazardous environments

The SABS does not have regulations in this regard, but does publish a number of national standards as specifications or codes of practice relating to hazardous environments. A number of government departments, for instance the Department of Labour, refer to these SABS standards in their Regulations. Compliance with SABS Standards then becomes a legal requirement. This is a practice that is being followed more and more all over the world, as it give authorities the best of two worlds, namely

- Regulations contain only essential requirements that remain valid for a fairly long time, and

the government gazette do take some time. The SABS strives to limit this time to not more than six weeks.

In the case of SABS 0228 "Code of practice for the identification and classification of hazardous substances" the draft standard was approved in October 1995 by the SABS. The printing of the standard was subcontracted as the SABS printing works could not handle such a voluminous document (nearly 1 000 pages). The printers also experienced problems with the result that the standard was only physically available at the beginning of February 1996.

This standard is used extensively by industry, and the delay caused a waiting list of purchasers. They have all been provided with copies since the notice in the government gazette will be published shortly.

The second case pertains to the standards dealing with equipment requirements used in fiery mines. The revised standards were a departure from South African home grown standards that had been in use for decades, but have now been aligned with International Electro Technical Commission standards. Comment has been received by the SABS, albeit verbally, on whether there really was a need to change.

The third possibility revolves around the copyright of SABS standards. In terms of the Standards Act (Act 29 of 1993) copyright of SABS standards is vested in the SABS Companies that publish and sell reference or working documents dealing with regulatory activities such as compliance with the Occupational Health and Safety Act, sometimes wish to include texts from SABS standards as these are referred to extensively in such Act. The SABS is prepared to accede to such requests, provided it is appropriately compensated financially. Publishing houses, however, are not keen to pay royalties to the SABS. The real reason for their reluctance is not known, but one possibility is that it may be seen as having a negative effect on their profitability.

Mr K M Andrew is welcome to approach the President of the SABS directly for discussions so that the real cause of his concern can be identified.

Sasol: tariff protection

425 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

- (a) What, expressed in cents per litre, is the current rate of tariff protection extended to Sasol and (b) what was the total value of the protection tariff to Sasol in the (i) 1994-95 and (ii) 1995-96 financial years?

The MINISTER OF MINERAL AND ENERGY AFFAIRS

- (a) Based on the claim for April 1996, paid on 31 May 1996, protection amounted to 9,8 c/l in respect of Sasol volumes. In respect of total consumption volumes protection amounted to 2,8 c/l. At current oil and petroleum product prices, it is expected that Sasol will receive no or very little protection for the months of June and July 1996.
- (b) (i) R1 079 832 901

- (ii) Based on the latest information, tariff protection afforded to Sasol amounted to R789 397 762 for the period 1 July 1995 to 30 April 1996.

Total production of uranium

514 Mr A H NEL asked the Minister of Mineral and Energy Affairs

What was the total production in tons of uranium at the (a) Buffelsfontein, (b) ERGO, (c) Hartbeesfontein, (d) Vaal Reefs, (e) Phalaborwa and (f) Westonana production plants in (i) 1993, (ii) 1994 and (iii) 1995?

N877E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

South Africa's uranium production per mine 1993-1995

Mine	1993 tons U ₃ O ₈	1994 tons U ₃ O ₈	1995 tons U ₃ O ₈
Buffelsfontein [†]	—	—	—
ERGO*	—	—	—
Hartbeesfontein	329,4	314,5	280,5
Vaal Reefs	1 313,4	1 222,3	1 012,0
Phalaborwa Mining Company	94,8	162,3	132,7
Western Areas	270,1	292,0	261,7
Total	2 007,7	1 991,1	1 686,9

Note

†p,2g*Plant closed Last recorded production in 1991

Agreement on talks is signed

(183)
Renee Grawitzky

60/4/6/96
CHEMICAL employers and the Chemical Workers' Industrial Union signed an agreement this week for interim wage negotiations to be held in eight subsectors this year.

This agreement was signed in view of the process still under way between employers and numerous chemical unions to reach consensus on the establishment of a centralised bargaining structure in the industry.

This interim arrangement relates only to companies where the union is recognised.

Negotiations will begin within the next two weeks in the petroleum, industrial chemicals, pharmaceuticals, surface coatings, fast moving consumable goods, glass and pottery, rubber and plastics sectors.

The talks will revolve around the union's demands for a 20% increase, a minimum wage of R1 800 a month and a 40-hour working week.

All parties to the discussions on a centralised bargaining structure are still attempting to set up a working group to iron out differences between the parties.

Engen deal to scupper Sanoco plans

(183) MFG (Am) 14-25/6/96

Mungo Soggot

SOUTH AFRICAN fuel company Engen's tie-up with a foreign fuel group will probably torpedo government plans to create a national oil company, industry sources say.

At the time of going to press, Engen, which has recently had its profits savaged by hefty restructuring costs, had not yet announced details of the deal which is believed to involve a foreign oil player.

On Tuesday it suspended its share price ahead of the announcement. Market speculation pegged Elf and Mobil as its most likely suitors. Sasol, which has been eyeing a tie-up with Engen, was eliminated from the list as no cautionary announcement was slapped on its shares.

But whichever company it is, a much stronger Engen will probably thwart plans for a national oil company. Senior officials in the Trade

and Industry and Finance departments are keen to set up such a company, which has become known as Sanoco, to counter the influence of the international oil majors in the South African fuel retail market.

At the heart of the proposed oil giant lies a merger between Sasol and Engen. It recently appeared that Total SA was also part of the equation. Both Engen, South Africa's only listed fuel retailer, and Sasol are understood to be wary of Sanoco.

Now, a merger between Sasol and Engen appears out of the question. Sasol loses out badly as a marriage with Engen would have given it a stake in the lucrative retail market from which it is barred in terms of an agreement with the crude oil companies that buy Sasol's subsidised synthetic fuel.

Commentators say that assuming Sanoco plans stay afloat without a Sasol and Engen merger, the backing of either the United States's Mobil or France's Elf should enable Engen to

resist pressure from government to become part of Sanoco.

A senior official in a South African fuel company, who was betting on Mobil, said: "Sanoco is dead if Engen teams up with Mobil. With American money behind it, it will be easier to resist efforts to get it into Sanoco. No foreign player like Mobil or Elf would want to get into something like that."

Analysts say that apart from helping Engen dodge Sanoco, an international tie-up would also arm it to bag a large slice of the retail market when it is eventually deregulated.

Sanoco's backers are understood to be convinced of the need for what they call a "big maverick player", which could undercut the price of the other oil companies in a deregulated market.

So, although playing along with Sanoco would win Engen and Sasol favour with the government, they face

the prospect of being part of a company designed to keep prices down.

Outgoing Minerals and Energy Affairs Minister Pk Botha never discussed Sanoco in detail, leaving the plan to be thrashed out by colleagues in the Trade and Industry and Finance departments.

● Botha's long-serving aide Roland Darroll said this week he was keen to work under Botha's African National Congress replacement, Penweli Maduna. "It would be good to work under an ANC minister," he said.

Botha gave one of his last public speeches before ending an extraordinary political career launched under John Vorster.

He told the Sub-Saharan Oil and Minerals Conference in Johannesburg: "I, in the meantime, have no intention of becoming a recluse. I may still be useful to drive a truck or two on certain roads which I know well ... There may still be a distance to be travelled."

Energy Africa starts production at Nkossa

By Marc Hosenfus

Cape Town — Eni Oil Africa, the gas and oil exploration company that is controlled by Eni, started oil production in the Nkossa field off the Congo coast this week. Eni Oil Exploration (Congo), a 50 percent owned subsidiary of Energy Africa, holds a 4 percent

share in the Nkossa association. Eni Oil Africa, which has a 51 percent stake in the field, is operated by Eni Congo (which is 50 percent owned by Eni) and Hydro Congo.

John Bentley, the company's managing director, confirmed yesterday that production, treatment and oil storage installations were all in service a month and a half

after the arrival of a floating production unit.

"We are delighted with the start-up of Energy Africa's first West African producing asset," production growth from our existing assets in the North Sea, Oman, the Congo and South Africa should double by 1998," Bentley

Seeff notches up strong property sales

By Francine Boyha

Cape Town — Seeff Residential Properties sold R115 million of residential property last month, bucking the declining trend in property sales.

Errol Finkelstein, Seeff Holdings' chief executive, said the strong performance was probably

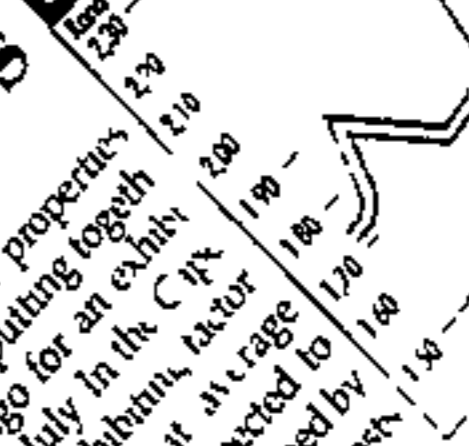
undrained by positive market sentiment before the two interest rate increases.

In Cape Town, the performance was much stronger than anticipated. This was a comeback from the quarter in the Cape, the sales were in line with expectations," he said.

Crucial sales were boosted by a stronger portfolio of properties the company began putting together three months ago for an exhibit in London in July. In the City, Finkelstein said that average house prices were not expected to decline. They were underpinned by the strong rise in building costs and talk of declining interest rates.

FUND MANAGEMENT

Seeff Holdings



Engen gets R1,9bn partner

ST (P) 16/6/96 (183)

ENGEN has scored a major foreign investment coup with the announcement that Petrolium Nasional, Malaysia's government-owned national oil and gas company, will invest almost R1,9-billion in a 30% stake in the oil company.

Engen and US multinational Mobil parted ways in the 1980s because of sanctions, leaving Engen as a major independent player in the local market, but also the only one without overseas support.

Engen surprised the market by suspending its shares on Tuesday before Friday's announcement of "an agreement for co-operation and development in Africa and the Indian Ocean Rim".

Petronas will pay about \$436-million (R1,88-billion) for its 30%

Petronas, the largest Malaysian company in terms of revenue (\$6,8-billion in 1995), says it has entered into several joint ventures and partnerships in line with its strategy to expand globally. The Engen deal is "a mutually constructive means of implementing a growth strategy in Africa and the Indian Ocean Rim".

Petronas plans to be a long-term shareholder. It says the increase in Engen's capital base will allow it to exploit growth opportunities in the region and to strengthen its balance sheet.

The deal will enable the two to pool their expertise in refining technology, crude sourcing and product marketing.

Dato Hassan Marican, chief executive of Petronas, says the in-

vestment in South Africa, which he believes is the largest since the formation of the new government, is indicative of confidence in the economy.

Engen chairman Bernard Smith says strategic partnerships in the international oil industry enable the sharing of risk and capital commitment. Chief executive Rob Angel says the investment shows confidence in the country and in Engen.

Friday's deal follows much speculation on a possible partner for Engen. Last year talks between Engen and Sasol were called off, and rumours this week centred on Mobil.

The suspension of Engen's shares will be lifted at the start of trade on Tuesday.

COMPANIES

R500m plant plan is on track

Edward West

(183) 18/6/96

SENTRACHEM and German chemicals group Bayer expect to give the go-ahead to their proposed R500m chrome chemicals plant venture in the next two months.

Bayer SA CE Terry Bowman said at the weekend that tenders for the KwaZulu-Natal venture, unveiled in February, had already gone out and building was likely to start by August.

He said the partners had still to finalise the full cost of the scheme, and how much the two — 50.50 partners — would contribute.

Sentrachem MD John Job said that there had been no formal approvals for the plant, nor potential supply contracts. Yet the project was on track, and the feasibility study nearly ready.

The plant will be one of the world's largest chrome chemical operations, producing 70 000 tons of sodium dichromate and 10 000 tons of chromic

acid a year, at Sentrachem's Karbochem site in Newcastle.

Bayer, whose SA sales are about R1,5bn a year, owns a chrome mine in Rustenburg and a chrome tanning salt production operation in Durban.

The new plant would form part of worldwide structural change to move international leather tanning operations into the southern hemisphere, closer to raw materials sources.

The first product is expected to be exported by 1998. The plant was expected to be competitive compared to rivals, exploiting SA's relatively cheap power and Bayer technology to add value to freely available chrome ore and soda ash.

Sentrachem lifted attributable income 12% to R101m on sales ahead 32% at R2,3bn for the six months to February. It was unchanged at R15,90 on the JSE Friday, about midway between its 12-month low of R12,85 and its 12-month high of R17,10.

Engen deal likely to end govt's oil plans

Samantha Sharpe
and Reinie Booysen

THE purchase by Malaysia's Petronas state oil company of a 30% share in Engen is likely to sound the death knell for government plans for an SA National Oil Company, or Sanoco, combining assets of local oil concerns

Engen officials have confirmed that Petronas is unlikely to accept a deal which lumps Engen with oil-from-gas producer Mossgas, state explorer Soekor or the Strategic Fuel Fund

Intriguingly, Engen CEO Rob Angel said at the weekend he would be happy to resume merger talks with oil and petrochemicals giant Sasol

"Sasol as a second phase is not a bad idea," Angel said. "In fact, we would welcome discussions with Sasol. Think about a Sasol-Petronas-Engen partnership in terms of chemicals

"We discontinued discussions with

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Sasol nine months ago because of their spat with Total, but that is resolved and we are prepared to look at any opportunity now

"The deal provides an opportunity for a more balanced portfolio through the development of our upstream businesses and a chemical industry"

It was announced on Friday that Petronas would acquire 30% of Engen via three inter-related transactions

First, Petronas will offer to purchase 21,6% of Engen shares at R34,50 each. Sanlam and the Rembrandt Group, who together control about 30% of Engen, have agreed to accept this offer in full

Second, Engen will have a rights offer — fully underwritten by Petronas — to raise about R605m, by issuing just over 19-million shares, representing about 11% of the issued share cap-

Continued on Page 2

Engen (183)

Continued from Page 1
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ital, at R31,50 a share

Third, Petronas will offer to acquire all renounceable nil paid letters resulting from this rights offer for R3 each. Sanlam and Rembrandt have also agreed to sell all their letters to Petronas, plus such additional Engen shares as are necessary to ensure that Petronas gets a 30% stake in the company in proportion to their existing shareholdings and to the extent that other Engen shareholders do not accept the first "partial offer" and the "nil paid offer". For this last undertaking Sanlam and Rembrandt will get a R27m lump sum

Sanlam chairman Marinus Daling said "It's difficult to project Sanlam's new shareholding in Engen because we are not certain to what extent the rights offer will be taken up. But personally I believe most shareholders will participate in the offer, and that our shareholding will be reduced from just over 30% currently to between 15% and 20%."

Petronas CEO Dato' Hassan Marican said Petronas does not intend increasing its stake in Engen. "This is a partnership, not a takeover," he said.

Angel said the deal would clearly

position Engen for substantial growth into Africa. "We have R605m in cash and we don't intend leaving that sitting in the bank."

Angel said the substantial cash injection would take the group's gearing to 10%, which would enable Engen to "embark on a growth plan into Africa"

Angel said the deal would enable rationalisation between Engen and Petronas in crude oil procurement and product trading. Petronas' Marican said "This deal is not about finding a house for Petronas crude, but we can optimise crude availability through Petronas and Engen facilities."

Asked why Engen chose an alliance with Petronas, Angel said "We've looked at other opportunities. Forget Mobil and Elf Aquitaine — this company gives us the best overlay. Petronas offers key complementary strengths. It has a long-term commitment to business, a progressive emerging market culture and shared strategic objectives."

On shared business synergies Angel said "The Petronas deal will put us in a stronger position for further rationalisation, provide us with the cash to achieve our growth strategy, offer crude supply benefits and access to additional sourcing as well as upstream strength and expertise."

See Pages 12 and 13

Petronas deal with Enggen shifts focus to Indian Ocean Rim

Reinie Booysen

THE purchase by Malaysia's Petronas of a 30% stake in Enggen is undeniably a positive development for SA. After much talk about the Indian Ocean Rim as a new cultural, developmental and trading bloc, the deal could go a long way towards realising SA's status as a major industrial node in this region.

Instead of just talking, Petronas and other Malaysian companies have been among the first to stake real money in SA, and Enggen can feel justifiably proud of the vote of confidence this represents in its own operations.

Indeed, this may be the first of many concrete shifts in focus by major SA industrial concerns, away from the North Atlantic basin towards the Indian Ocean Rim, and the promise of spectacular Asian growth.

After the euphoria of seeing a major foreign company investing some R1,9bn in their company, however, Enggen shareholders will no doubt begin to wonder what exactly the new Malaysian partner, Petronas, has to contribute. Some analysts may consider that Petronas has money and nothing else—but CE Rob Angel argues forcefully that there's a whole lot more to the transaction.

Possibly of most importance to Enggen's future in the long term, apart from the need for capital, are

refining technology and secure, competitive crude supplies. On the fuel refining side, it is fair to say that Petronas is not a major operator, with only two, relatively unsophisticated 'topping, reforming' refineries— with capacities of 40 000 and 100 000 barrels a day. Angel, however, points out that Petronas is a major petrochemical producer, and has among the largest liquefied natural gas plants in the world. "In the hydrocarbons business, technical know-how goes further than just producing fuel," says Angel.

On the upstream side Petronas does have strengths—albeit thanks to an Act of parliament which vests the ownership of all Malaysia's oil and gas reserves in the company. Petronas produces some 630 000 barrels a day of crude, and exports 330 000 barrels a day of superior quality Tapis, a light-sweet waxy crude—exactly opposite in quality to most of the crude processed by SA refineries, including Enggen. Indeed, it would be surprising if a single drop of Southeast Asian crude has flowed to SA in recent years. In the Middle East, where SA refiners source most of their crude oil, Petronas has no equity crude reserves.

Superficially, it would thus appear that Petronas has nothing to contribute to the security and economics of crude supply. Angel, however, says this is naive. A new 100 000 barrels a day Petronas re-

finery due to come on stream next year will have sophisticated upgraded units capable of refining poorer quality Middle East crudes, and producing relatively high yields of high-value products like petrol, diesel and kerosene, much like most SA refineries. Petronas will then require steady streams of Middle East crude, providing the opportunity for economies of scale by combining crude purchasing contracts with Enggen. Angel adds "Imagine a situation in which the Persian Gulf is closed off by yet another war of some sort. Do you not think Petronas, a major crude exporter, will look kindly upon its 30% associate in SA?"

Petronas's own steady crude flows also offer the possibility of possible swap arrangements, in terms of which Malaysian crude is exchanged for Middle East crude.

On the corporate culture front, should investors be concerned that the largest shareholder is an eastern, state-owned company? Enggen, albeit long severed from Mobil of the US, still operates on strongly western lines. Naturally, Petronas is quite different, and it may take time for the euphoria of the deal to wear off and these differences in perspective to emerge.

Angel dismisses suggestions that Enggen's autonomy will somehow be restricted. "I actually think we'll have more freedom than we had under the previous controlling struc-

ture," says Angel, insisting that Petronas operates autonomously from the Malaysian government. Two Petronas subsidiaries, says Angel, are listed on the Malaysian stock exchange.

Angel says Petronas will now have two Enggen board representatives, in the form of the chairman and president of Petronas. Sanlam's presence will decline from two to one director (Marnus Daling) and Rembrandt will retain its single directorship (Thys Visser).

Decidedly on the plus side is the fact that Enggen now has R605m available for development after reducing its debt of R1 1bn substantially. The debt equity ratio, says Angel, will come down from 27% to 12.5%. Among the possible uses for this cash are continued investments in the refinery, the development of a petrochemicals operation linked to Enggen's aromatics plant, development of the SA retail market in the event that deregulation permits, and launching Enggen's long-awaited African downstream campaign north of our borders.

Although Petronas brings no infrastructure to the deal in Africa, it does have several years' experience in East African trading. Indeed, trading was what brought Enggen and Petronas together in the first place several years ago. Not long after SA emerged from political isolation, Petronas did several deals to

source oil products from the newly expanded Enggen refinery to supply into countries like Zimbabwe, Mozambique, Kenya and Somalia. From the north, Petronas's assault on East Africa was also premised on its deal to process some 40 000 barrels a day of Iranian crude at the Aden refinery in Yemen and trade the oil products into the Indian Ocean Rim. Enggen has similar strategies in East Africa and the Indian Ocean islands, and it would make sense for the two companies to rationalise their activities.

In truth, however, the markets in East Africa are small by Asian standards, and Petronas's interest in the region is somewhat eccentric. It is, nonetheless, common cause that Africa has fairly strong growth potential off its low base in the years to come. Among the better areas for co-operation between Petronas and Enggen are the bigger fish in between, like India and Pakistan.

Angel has emphasised the continuing possibility of a deal to merge Enggen with Sasol. Without doubt, the deal with Petronas strengthens Enggen's bargaining position in any talks with Sasol. In a deregulated market, Sasol will desperately need an established retail network like Enggen's, controlling 26% of the SA market on the retail end. For their part, Sasol sources said they would look closely at the Petronas deal before deciding whether there's still any sense talking to Enggen.

Engen CE Rob Angel. "a lot more than money"

Engen bolsters its position after R1,9bn deal with Malaysia's Petronas

By Marc Hasenluss

CAPE EDITOR

Cape Town—Engen has bolstered its position for global expansion and continued growth in a deregulated domestic market following the R1,9 billion deal with fast-growing Petrolham Nasional Berhad (Petronas), the national oil and gas company of Malaysia, announced on Friday.

Petronas' acquisition of a 30 percent stake in Engen, believed to be the largest single foreign investment in the new South Africa, cements a potentially lucrative agreement between the companies for co-operation and development in Africa and the Indian Ocean Rim.

The deal was struck at R34,50 a share—a premium of more than 30 percent on Engen's R26 a share price before suspension last Tuesday.

Petronas will achieve its stake by offering to acquire 21,6 percent of shareholders' shares, participating in an renounceable rights offering and by offering to buy Engen shareholders' renounceable nil paid letters that stem from the rights offer to raise \$140 million, which will

reduce Engen's gearing to about 10 percent.

Engen's controlling shareholders Sanlam and Rembrandt (who jointly hold a 30 percent stake) have agreed to dilute their stakes and "top-up" Petronas' shareholding to ensure the Malaysian company secured a 30 percent stake.

With a 30 percent holding, Petronas will effectively become the controlling shareholder. The generous-looking R34,50 offered to Engen shareholders appears sufficient to ensure that the Malaysians will pick up the sought-after 30 percent holding.

But, to eliminate doubt, Sanlam and Rembrandt are being offered an additional R27 million for undertaking to sell to Petronas the number of shares needed to ensure it achieves the 30 percent stake.

While this makes the deal look attractive for Sanlam and Rembrandt, a number of analysts pointed out that, as it effectively secures control for Petronas, the R27 million additional tag is reasonable.

By securing this undertaking from two of the major shareholders, Petronas effectively ensures that a counter-bid would have little

change of success.

Had the negotiating process been slower and less secretive, it is possible that other bids might have been flushed out before a deal was finalised with the two companies.

This could have sparked a price war which would have benefited all shareholders, particularly Sanlam and Rembrandt.

Together, these two groups have sufficient shares to swing the outcome.

Rob Angel, Engen's chief executive, said the significant agreement reflected a notable commonality for both parties.

"In Petronas, Engen has gained a strong upstream partner, significant refining expertise, a breadth of operating experience and exposure to foreign markets," said Angel.

He said the agreement allowed Engen and Petronas to pool their expertise in refining, crude sourcing and product marketing.

Questioned on re-opening negotiations with Sasol, Angel said "Engen and Petronas would welcome discussions with the synthetic fuel producer. We are not shutting the door on Sasol."

□ See Engen articles, Page 23

(183) ET (Par) 18/6/96

Inspirational' partnership jumped the gun on Manuel's blueprint

Engen-Petronas deal a 'vote of confidence in SA'

(183)
CT (BR) 18/16/96

By Marc Hasenfuss

ECONOMICS EDITOR

Cape Town — News on Friday that Petroliam Nasional (Petronas), the Malaysian oil and gas conglomerate, would snap up a controlling 30 percent stake in Engen for R1,9 billion stole some of the thunder from the government's announcement of a blueprint for economic growth.

After talks started seven months ago, one of the biggest foreign investment deals in the new South Africa was clinched before the new investor-friendly economic framework was released by Trevor Manuel, the finance minister.

Rob Angel, Engen's chief executive, described the deal as "a hell of a vote of confidence" for

Engen and South Africa, while Bernard Smith, the chairman, praised current controlling shareholders Sanlam and Rembrandt for "passing on the baton to a new sprinter."

Dato' Hassan Marican, the chief executive of Petronas, emphasised that the acquisition was not just a corporate deal but also a committed partnership. "Our investment is a further expression of confidence in the growth of the South African economy and will strengthen the bilateral relationship between Malaysia and South Africa."

Angel was confident that Petronas was the right company to partner Africa's "number one oil company" in taking advantage of growth opportunities. "We are positioning for

growth, so watch this space!"

Angel said the agreement also reaffirmed Engen's decision two years ago to launch project Discovery to restructure and culturally reposition Engen and bring the company in line with international trends.

An oil industry analyst pronounced the deal "inspirational" because it reinforced Engen, a small player by world standards, against the onslaught of the bigger multinational oil companies in the African market.

"Petronas didn't do the deal for benefits from the over-traded and over-regulated local market, but because an Engen partnership made development into Africa so much more attractive." The deal allows Engen to participate more effectively in

new developments on the back of Petronas' global growth strategy, particularly the thrust into Africa through the 60 percent-held subsidiary Energy Africa.

The analyst was still hopeful of a deal with Sasol. "There'll be plenty of synergies if Petronas, Engen and Sasol get together."

He emphasised that Sasol still needed to secure increased volumes in synthetic fuels sales and that it was now too expensive to set up its own retail network.

A joint statement outlining the rationale of the agreement noted that the alliance between Petronas, a crude oil producer and trader, and Engen, a refiner and marketer, should create significant operational synergies — including procurement and logistical activities.

The business strategy of Petronas was to expand its up- and downstream activities internationally, a move already made through a number of international joint ventures and partnerships.

In this regard, the company views a commercial alliance with Engen as a mutually constructive means of implementing a growth strategy in Africa and the Indian Ocean Rim.

Petronas and Engen are significant refining and marketing companies in their respective markets. The alliance allows them to pool expertise in refining technology, crude sourcing and product marketing. Co-operation is also expected in the expansion of Engen's marketing business in South Africa, sub-Saharan Africa and the Indian Ocean Rim.

Hansard

Three connecting corridors in the Senate. The above areas have been recarpeted, in consultation with the Parliamentary Internal Arrangements Committee and the Chief of the Household, Ms L Matyolo.

The second phase will be identified in coherence with the above roleplayers. Department of Public Works reached as the service supplier and not as the initiator.

(c) The annual carpet state contractor—Premier Carpet Distributors

(d) (i) The old carpeting became hazardous in many ways—in some instances holes about 15 cm in diameter and through to the underfloor, were visible

(ii) Stains and damages (ordinary wear and tear) became impossible to remove by cleaning. Some parts of the green carpets were 20 years or more old

(iii) It made sense to remove the worn green carpet from the marble floor in front of the Hall of Assembly and replace it with runners, thereby exposing the beautiful marble floor

(iv) Aesthetically there was no link between the old and new parts—the Senate Wing and the New Wing. The new carpeting was designed in consultation with the National Monuments Council and the Cultural History Museum

Strategic Fuel Fund (183)

*20 Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs

Whether he intends abolishing the Strategic Fuel Fund, if not, what is the position in this regard, if so, when?

N982E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

No, the Strategic Fuel Fund, better known as SFF Association, is responsible for the management of South Africa's strategic crude oil stock and storage facilities and to do so needs to be active in a limited sense as crude oil trader in the market. It generates revenue in performing its functions.

Finance: fraud/corruption

*21 Mr K M ANDREW asked the Minister of Finance

Whether any fraud and/or corruption was uncovered within his Department in the 1995/96 financial year, if so, what was the total cost to his Department of such fraud and/or corruption?

N983E

The MINISTER OF FINANCE

In respect of the Department of Finance and the Department of State Expenditure—No

In respect of South African Revenue Services

Yes. Five cases of fraud and corruption were uncovered within SARS during the 1995/96 financial year of which the following details are available:

Inland Revenue

R99 000 tax collections could not be accounted for by the officer in charge of the Cash office at the Receiver of Revenue in Bisho. The officer, who is responsible for balancing the receipt book with the cash tally on a daily basis, was found to be negligent and guilty of misconduct. She was found to be liable for R20 000 of the missing money. This amount is being recovered from her, with a further R2 000 penalty being imposed. The loss as a result of this case would be R79 000 to SARS.

Customs and Excise

(1) It is alleged that for a period ending January 1996, officers at the Beit Bridge Border post accepted bribery monies from private persons and also claimed fraudulent customs duties on imported goods amounting to ± R100 million. Nine officers were criminally charged and the court case is pending. The exact loss to the Department is unknown at this stage.

(2) It is alleged that two officers at the Customs and Excise Head Office in Pretoria submitted fraudulent registrations for diesel claims. One registration was discovered before any payments were claimed. In respect of the other registration a claim amounting to R600 000 was submitted but not refunded. Both cases have been reported to the SAPS and are currently under investigation. There was no

financial loss to the Department in this case.

(3) Towards the end of 1995 passengers at Johannesburg International Airport reported that Customs and Excise officials threatened them and claimed fraudulent customs duties from them. The matter was reported to the SAPS and is currently under investigation. The number of officers involved and the possible loss to the Department is unknown at this stage.

(4) Between July 1993 and November 1995 it is alleged that fraudulent invoices amounting to R9,7 million were issued by Customs and Excise officers in Durban with regard to liquor exports. The matter is currently being investigated by the SAPS.

Health improvement of productivity

*22 Mr M J ELLIS asked the Minister of Health

(1) Whether a contract was awarded in the past two years for improving productivity in her Department, if so, to whom was the contract awarded,

(2) whether the contract was successfully completed, if not, why not, if so, (a) when and (b) what was the cost relating to the contract

(3) whether the results of the contract will be made public, if not, why not, if so, when,

(4) whether the contract will be renewed, if not, why not, if so, why?

N986E

The MINISTER OF HEALTH

(1) No

(2), (3) and (4) Fall away

Rural areas: shortage of government tractors

*23 Mr Z I NCINANE asked the Minister of Agriculture

(1) Whether a shortage of government tractors for use during the ploughing season is being experienced in the rural areas, if not, what is the position in this regard, if so, (a) what is the extent of the shortage and (b) what implications does this shortage have for farmers who have to plough their lands,

Sasol keen to revive talks over merger with Engen

BD 19/6/96

(183)

Reinie Booysen

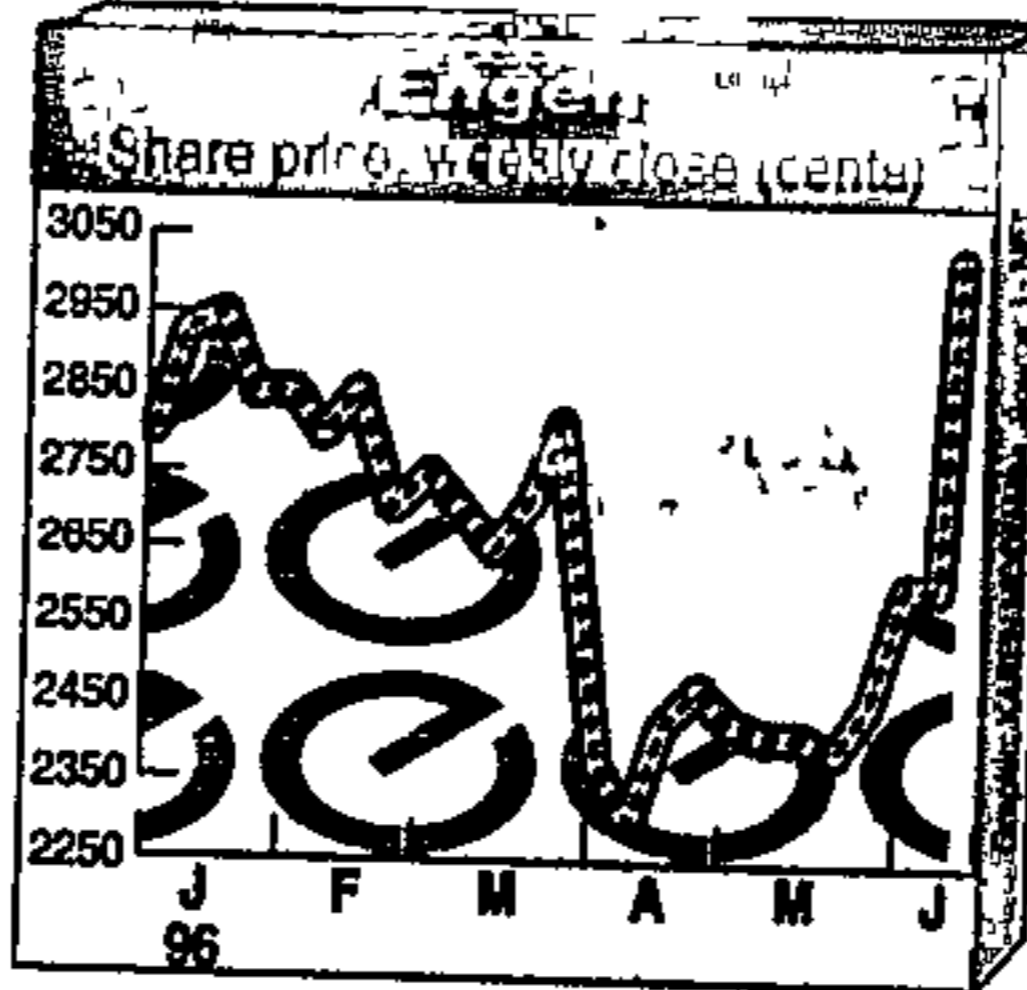
SASOL yesterday revived the prospect of a merger with Engen, signalling its willingness to resume talks, despite Engen now being controlled by Malaysia's Petronas. Talks were stalled last year by a separate dispute between Sasol and Total.

The Malaysian state-owned company bought 30% of Engen's shares last week, in a deal which will reduce the stake held by Sanlam, the previous largest shareholder, to between 15% and 20%. Sanlam previously held about 23% of Engen's shares while the Rembrandt Group held 6,8%.

"We agree with Engen that their deal with Petronas does not preclude the possible resumption of talks," a Sasol official said yesterday. "We believe that the potential synergies that prompted the previous discussions between Sasol Oil and Engen still exist."

Engen CE Rob Angel also indicated last week Engen's willingness to resume negotiations.

A Sasol-Engen merger would partially realise the dream of some government officials, including Deputy President Thabo Mbeki,



ki, to promote the creation of a large, locally owned oil company capable of tackling any potential future onslaught on the SA market after deregulation by foreign multinationals with much deeper pockets than any local company.

It was unlikely, however, that either Sasol or Engen would be willing to take any assets on anything other than commercial terms, government sources acknowledged yesterday.

Mergers with oil-from-gas producer Mossgas, state explorer Soekor and the Strategic Fuel Fund, which managed the state's strategic oil stockpile, would have

to be commercially attractive

Government sources indicated yesterday the Petronas deal may well have been promoted at the highest levels of government. "It is well known that the President (Nelson Mandela) has very close relations with the top leaders in Malaysia," a source said.

On the JSE yesterday Engen shares closed at R30,25, 16% above the R26 closing level a week earlier, before the shares were suspended pending finalisation of the deal with Petronas.

Trading volume was moderate, with 434 700 shares changing hands, against the 12-month average trading level of 2,9-million shares a month. In terms of the deal, Petronas would offer each Engen shareholder R34,50 for 21,6% of their shares.

"Obviously the share must be worth more after the deal. Since the deal Engen has a stronger balance sheet, and cash. With cash in hand, growth opportunities must be better," one shareholder said.

Petronas would pay about R1,9bn for its 30% stake, reducing Engen's debt:equity ratio to 12,5% from 27%, and leaving R605m in cash for new investment.

Market View
Dealers said the market

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Engen deal gets investors' approval

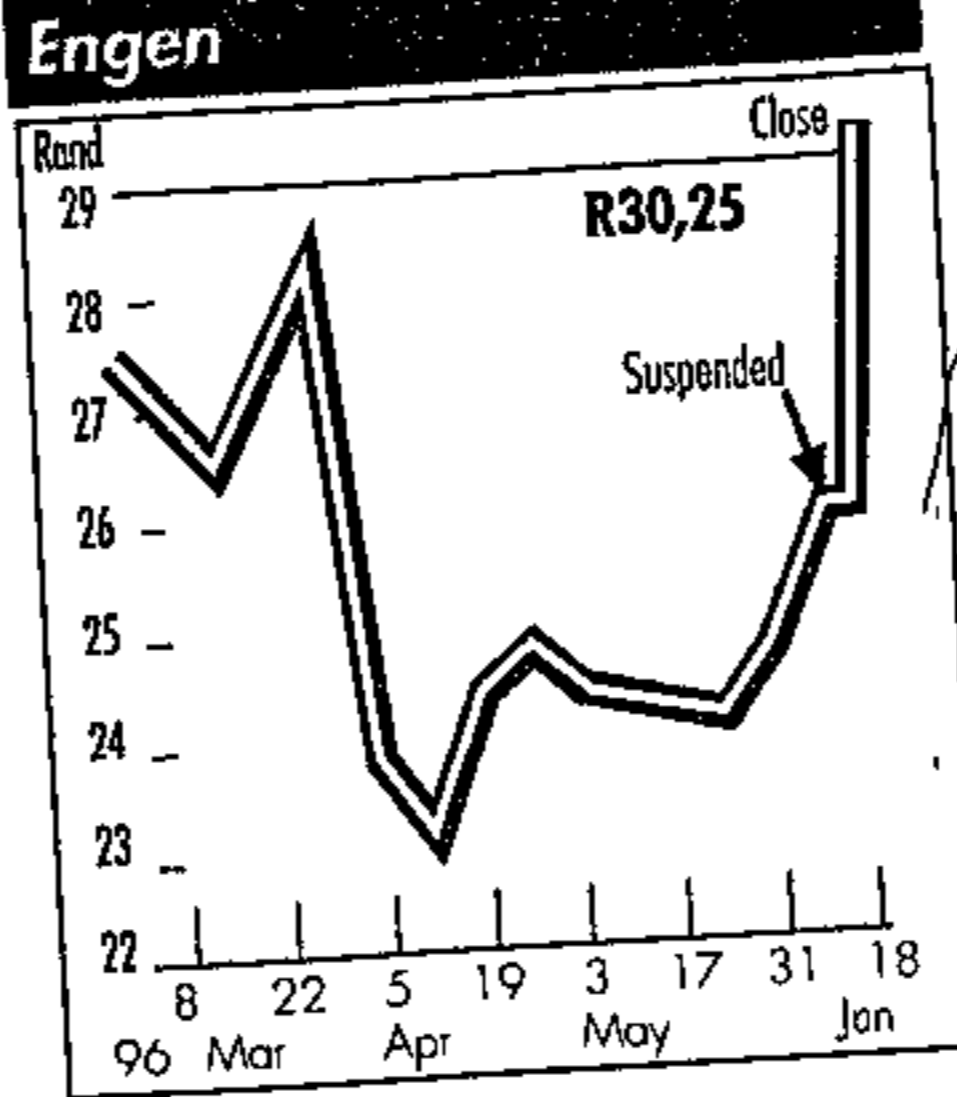
By Marc Hasenfuss

CAPE EDITOR

Cape Town — Enthusiastic investors yesterday showed their approval for Engen's R1,9 billion deal with Petronas, the Malaysian oil and gas conglomerate. They pushed the share 425c or 16 percent higher to R30,25 on the JSE.

Trade was fairly frantic as investors chased the share after the week-long suspension was lifted. Nearly 400 000 shares changed hands in 229 deals worth R13,36 million.

After throwing a veil of secrecy around last minute negotiations, Engen said on Friday that Petronas would acquire a controlling 30 percent stake in the local company.



The deal significantly enhances Engen's competitive position in a deregulated domestic fuel market. It also means the company is poised for expansion into sub-Saharan Africa and the Pacific Rim.

Oil industry analysts said that the share price rise was in line with expectations.

"We believed Engen showed value up to R32 even before the Petronas announcement, and the current price shows most investors haven't got unrealistic expectations for the company," an analyst said.

He did not revise his forecast earnings of 197c for the year to August 31 as it would be some time before Engen reaped the benefits of the deal.

He said earnings a share of 253c had been pencilled in for next year before the announcement of the Petronas deal. But this could be revised to well over 300c a share, depending on how the funds stemming from the deal were utilised.

Strategic Fuel Fund in talks with Iraqis to buy crude oil

(183) B021/6/96

CAPE TOWN — SA's Strategic Fuel Fund said it had been in contact with Iraq to buy crude oil following the partial lifting of the UN embargo on Iraq sales.

Fund GM Kobus van Zyl said yesterday this was part of ongoing buying and selling by the fund and "we are still talking. We are not close to finalising quantities."

But as Iraq had only been allowed to sell crude oil worth \$2bn, or about 170-million barrels, "you cannot expect that anybody, especially a small consumer like SA, will get a large quantity," he said.

The fund has oil storage facilities at Saldanha Bay in the Western Cape and the Ogies coal mine in Mpumalanga.

Van Zyl said that the fund could store a total of 150-million barrels, but since 1989 had been selling off stocks accumulated during the years of oil sanctions against SA.

He denied market reports that the reserves were as low as 15- to 20-million barrels after recent sales to take advantage of high crude prices. They stood at 50-million barrels and the aim was to gradually get them down to 35-million barrels, he said — Reuter

Green light for Mossgas investment

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — Mossgas has been given the green light to invest in developing satellite gas fields and compressors by the monitoring body investigating whether it should take on the projects

"Financial justification of the satellite and compression projects has been independently verified," Pik Botha, the mineral and energy affairs minister, said yesterday

Botha said final approval for the projects from the cabinet and the parliamentary committee could be expected soon

In March the cabinet allowed Mossgas, the gas-to-oil synthetic fuel producer, to invest R485 million in developing satellite fields. Now the monitoring committee has recommended that the company introduce compression to existing fields

The finance required for the satellite fields and compressors is estimated to be R570 million and R340 million after the devaluation of the rand

Mossgas's operating surplus will cover the first commitment of R90 million. The

(183)
government hopes to find a private buyer for Mossgas before that amount is exceeded

The investment will secure Mossgas as a synthetic fuels producer until 2001

Mossgas's management has argued that the cash-positive plant should be allowed to prepare for continued production. But earlier this year Botha said that the best option would be for a foreign investor to buy Mossgas, convert it to produce methanol and develop downstream petrochemical industries

Early estimates put Mossgas's reserves at 2 trillion cubic feet, but they have proved to be considerably lower

The Central Energy Fund and its advisers, which include Rand Merchant Bank, are evaluating bids for Mossgas submitted by potential international and local investors last week

Roy Pithey, the chairman of the fund, said fewer than 14 bids were tendered after 220 proposals had been submitted earlier. The winning tender would be selected within the next four weeks. Pithey said that the proposals varied considerably

CT(BR) 21/6/96

Snarl-up likely over protest

183
OWN CORRESPONDENT

THOUSANDS of commuters and motorists could be stranded on Thursday when transport organisations embark on a national protest action against the fuel price rise

Next week's protest action, called by the South African Independent Trade Union Confederation (Saituco) and the Transitional United South African Taxi Council (Tusatco), would be held country-wide outside the offices of the departments of Mineral and Energy Affairs, Transport and Finance

The organisations have also called on all motorists to stop for 15 minutes, regardless of where they may be, to protest against the

CT 21/6/96
increases The action follows this week's meeting between the organisations and the government in which Tusatco demanded that taxis be exempted from petrol price increases The total increase for the year so far amounts to 35c, up from a price of R1,84/litre in January

Warning that the increases are going to provoke "a series of protests", Tusatco spokesman Mr Jacob Ledwaba criticised the government for continuing to increase petrol prices as "if South Africa is still hit by sanctions"

However, Mineral and Energy Affairs Ministry spokesman Mr Ronald Darroll challenged the organisations to come up with a plan to help the government to address the situation

..L. MEX'

Petrol price should be put up to keep diesel and paraffin cheaper - Maharaj

(183) (244)
Newcastle - Petrol should be made more expensive and the revenue used to subsidise diesel and paraffin, Transport Minister Mac Maharaj said last night

"If you look at our key productive activities, public transport and farming, they all use diesel," he told an ANC local government election campaign meeting in Newcastle.

His remarks are likely to increase the controversy over the recent increases in the price of petrol which have led taxi associations to threaten national road blockades this week

Maharaj said he believed so-called luxury fuels such as petrol should be made more expensive to subsidise the more economic fuels like diesel and paraffin, which are used by disadvantaged communities and key productive sectors

The Government would also encourage taxis to switch to diesel, as this would be cheaper in the long-run

Using the United Kingdom as an example, he said all taxis in London used diesel

Maharaj said taxi owners would probably complain about the costs involved in converting their vehicles to run on diesel, but he had commissioned a study on its practicality. - Sapa

Mar 24/6/96

BLOW to Moss gas

South African consortium announces withdrawal of (183)

plan

bid for gas field

ARG 24/6/96

PIETER MALAN

Staff Reporter and Sapa

THE state's plans to sell off the Moss gas plant near Mossel Bay - a project regarded by many as one of the Nationalist government's greatest follies - has been dealt a major blow with a local consortium announcing the withdrawal of its bid.

A consortium of local chemical companies comprising AECL, Sasol and Sentrachem, has decided not to submit a further bid for Moss gas because it believes the state-owned plant could not be run economically as a methanol plant.

Earlier the consortium had expressed interest in buying the plant to convert it for the production of methanol.

Yesterday it said the recent phase of investigation showed that this was not a viable option.

It is understood that there are several other companies still interested in the bid.

These include a group led by Germany's Thyssen and several American companies which are also reportedly interested.

Several of the bidders had already indicated the need for special investment incentives such as a lower tax rate, import protection and locational initiatives such as lower harbour and freight rates and the abolition of exchange control.

Complicating the process is the fact that Moss gas will run out of gas in a year and needs to commence drilling nearby satellite gas fields soon to avoid production loss next year.

The company has awarded equipment supply contracts valued at R200 million in preparation for the drilling but the government has reserved the right to back out of the main drilling contract should bidders decide they do not want the satellite gas fields.

Mineral and Energy Affairs Minister Pik Botha said in March the "first prize" would be if a foreign investor bought Moss gas and converted it to produce methanol and also developed downstream petrochemical industries.

It is not sure how the withdrawal of the consortium would effect other bidders with similar plans for developing the gas field's methanol capabilities.

The consortium said yesterday it had informed Mr Botha about the decision on June 14.



Controversial oil storage deal under scrutiny

AN INDEPENDENT legal review of the roles and responsibilities of environmental authorities will be one of 12 specialist studies commissioned as part of the Environmental Impact Assessment (EIA) of the proposal to lease crude oil storage tanks at Saldanha Bay to Iran.

The government's Strategic Fuel Fund (SFF) has signed an agreement with Iran to store approximately 15 million barrels of crude oil in two of the six vast underground tanks at Saldanha Bay, with an option to lease a third tank - also with a 7.5-million barrel capacity.

However, there is a suspensive clause in the contract and the SFF has stated that it will not proceed with the controversial venture before an informed assessment can be made of the possible environmental consequences - including the potential increase in the risk of oil pollution in the sensitive Langebaan wetland system.

The CSIR has been commissioned to do a comprehensive environmental impact assessment of the proposal, and one of the first steps in this assessment is a "scoping" phase.

The purpose of this phase is to ensure that broadly agreed key objectives are identified early in the EIA process, so that the EIA can be guided and managed effectively in its later stages.

The objectives of the scoping exercise are to ensure that:

- The overall EIA is sound,
- Appropriate alternatives - such as scrapping the oil storage facility entirely or putting in an offshore mooring point - to be assessed by the EIA are identified beforehand.

The Strategic Fuel Fund (SFF) has signed an agreement with Iran to store approximately 15 million barrels of crude oil in two of the six vast underground tanks at Saldanha Bay. But there is a clause in the contract allowing the SFF to pull out if the environmental risk of the proposal is too great - such as the risk of oil pollution in the sensitive Langebaan wetland system. A scoping exercise has been done during the past 10 months to set agreed parameters for a full environmental impact assessment (EIA) of the proposal, and a final scoping report has now been released for comment. Environment Reporter JOHN YELD looks at some of the findings of the report.

● Key issues about these alternatives are defined as early as possible, and

● Specialist studies which will look at these issues are well defined.

The scoping phase has lasted 10 months and involved contact with 340 groups or individuals identified as "interested and affected parties", of which 16 were deemed to be key players.

They were asked for their comments on both the EIA process and specific concerns and issues relating to the oil storage proposal.

These were then given to the CSIR for comment and compiled into a draft scoping document. A final scoping document has now been produced, incorporating further comments and concerns.

One such concern relates to the extent of authorities' legal responsibilities and powers about a final decision for the project on environmental grounds.

A concern was expressed in the scoping stage that the SFF should

not have the final say on whether the go-ahead for the oil storage contract would be environmentally acceptable.

According to the final scoping document, the Ministry of Environmental Affairs initially indicated that the SFF did not have the authority to decide what might constitute an acceptable or unacceptable risk to the environment, and that such authority was vested with the Western Cape government.

But the regional government contested this, and was proved correct.

At present, it does not have the legal power to intervene in advance.

"SFF therefore does not require permission in terms of the Environment Conservation Act for this project," the final scoping document states.

However, both the national and regional environment departments and Western Cape Premier Herinus Kriel were entitled to intervene after the project started should it

cause significant environmental damage.

The other 11 specialist studies are:

- Identifying potential single buoy mooring (SBM) sites offshore of Saldanha Bay, as an alternative oil loading arrangement.
- Establishing the mooring and underkeel clearance requirements of VLCC (very large crude carriers) entering and berthing at the Saldanha port.
- The impact of dredging activities.
- Modelling oil spill scenarios for the various project options.
- Assessing the existing and required oil spill contingency control at Saldanha.
- Assessing the SFF's oil transfer and storage technology.
- The impact of oil transfer and storage on groundwater and water quality.
- The potential effect of oil spills on Langebaan and the coastal ecosystem.
- A cost-benefit analysis of various project options.
- An environmental risk assessment, particularly of oil spills, of these various options, and
- An assessment of ballast water disposal.

These 12 studies are already underway, and a draft environmental impact report will probably be available for comment towards the end of next month or in August.

● Copies of the final scoping document are in public libraries at Saldanha Bay, Vredenburg, Langebaan and Cape Town, at the CSIR offices in Pretoria and Durban, and at the offices of the scoping consultants, Crowther Campbell & Associates, telephone 461 1118/9.

ARCT 24/6/96

DOOMED TO DIE. African penguins, once called jackass penguins and found in numbers along the Cape coast, are now a threatened species. Plastic waste and discarded fishing tackle are major hazards for these birds, as this new Cape Nature Conservation poster illustrates only too well. Fortunately, there is also good news. Conservation officials have been monitoring the breeding of the African penguin on Dassen Island since the Apollo Sea shipping disaster in June, 1994, when about 7,000 oiled birds were taken from the island to rehabilitation centres on the mainland. About 4,000 adult penguins were banded before they were released, 2,700 of them from Dassen Island. Monitoring has shown that 69 percent of these birds returned to Dassen Island by January this year, and that 46 percent tried to breed. Compared with other major oil spills around the world, like the Exxon Valdez disaster in Alaska, the Apollo Sea rescue operation was the world's most effective, and the cleaning and rehabilitation operation the world's biggest. Returning the birds to their breeding ground was also a success story. Copies of the poster are available from Cape Nature Conservation, telephone 483 4051.



FROM DEATH TO REBIRTH

Maharaj: Raise petrol to subsidise other fuel prices

ARG 24/6/96
NEWCASTLE - Petrol should be made more expensive and the revenue used to subsidise diesel and paraffin, says Transport Minister Mac Maharaj

"If you look at our key productive activities, public transport and farming, they all use diesel," he told an African National Congress local government election campaign meeting in Newcastle last night

Mr Maharaj reiterated that he believed so-called luxury fuels such as petrol should be made more expensive to subsidise economic fuel such as diesel and paraffin.

These were used by disadvantaged communities and key productive sectors of the economy.

The government would also encourage taxis to switch to diesel, as this would be cheaper in the long run.

Using Britain as an example, he said all taxis in London used diesel.

Mr Maharaj said taxi owners would probably complain about the costs involved in converting their vehicles to run on diesel

However, he said, he had commissioned a study on its practicality. - Sapa.

Lion Match to spend R10m on light division

(183) 20 25/6/96
Nicola Jenvey

DURBAN — Industrial holdings group Lion Match would spend R10,9m on capital expenditure in 1996/97 directed mainly at the lights division, chairman Lawrence van der Walt said in the annual report. The expenditure, being funded from cash reserves, formed part of Lion's ongoing upgrading within the division to ensure the group kept pace with international manufacturers.

Van der Walt said that although the high unemployment levels and slackening in economic growth would moderate increases in private consumption expenditure, local demand would be maintained.

This, coupled with progress in the export market, would enable the group to lift earnings and dividends for the year to March 1997. Last year the SA Breweries subsidiary had raised trading profit 10% to

R30m and attributable income 39% to R36,4m.

Van der Walt said that the upturn in the SA economy had been accompanied by unemployment growth, but a pent-up demand for durable and semi-durable products had led to a real increase in private consumption expenditure.

However, consumer demand would now be moderated as the recent fall in the rand exchange rate renewed the upward pressure on inflation and interest rates.

MD Terry Turner said the rise in match consumption, caused by higher private consumption expenditure, compensated for the effects of electrification on household match usage. He said the match division would continue to focus on exports, while enhancing its domestic position by containing production costs. Lion Match lifted its market share in disposable lighters by introducing electronic lighters.

US's Pennzoil gets ready to muscle into lubrication arena

(183)
Reinie Booysen

30 25/6/96

THE R4bn-rand-a-year SA lubrication market is fast becoming a crowded place, with the largest US brand, Pennzoil, about to launch a major offensive this month, and several other foreign operators, including French Elf Aquitaine and US-based Unocal, sniffing around for opportunities.

Last year, Saudi Arabian Petromin started a local venture, planning to capture 5% of the 650-million-litre market.

According to Pennzoil's SA marketing manager Nick Clews, "the decision to introduce Pennzoil to SA is part of its global expansion programme. Pennzoil SA plans to capture a substantial share of the SA automotive market within the first 12 months of operation." He estimated the SA automotive market to be about 190-million litres.

Top SA retailers like Shell, Caltex and Castrol could find their market shares under pressure from new entrants like Pennzoil, which recently opened an SA operation to manufacture, market and distribute its products in SA.

Shell is the current SA market leader, with just more than 20%, followed by Caltex on just under 20% and Castrol at about 18%.

Other major lubricants retailers include Engen, BP and Total.

Pennzoil will buy the base oil for its products from Durban refiner Engen, and toll-blend the oil with its own additives at Island View in Durban. Pennzoil's initial focus will be the automotive market, retailing its products through car accessory stores and co-operative distributors like Vetsak.

Pennzoil's SA operation is a joint venture with a privately owned company, Daniel Mills & Sons, a former Castrol manager Michael Louw, and Clews, a former advertising executive.

It has also attracted several other former Castrol employees to its camp.

Preferential share issue in Macmed, Thebe deal

(183)
Linda Ensor

NO 25/6/96

CAPE TOWN — Medical and pharmaceuticals group Macmed, in which Thebe Investments recently took a stake, is to issue preference shares to raise R24,4m

The offer of 10 new preference shares for every 100 preference or ordinary shares held would be announced next week, company secretary Alan Hiscock said yesterday after the group's special shareholders' meeting

The existing major shareholders have agreed to renounce 65% of their rights to allow Thebe to raise its stake to 20% in line with an earlier deal. Two Thebe members will be appointed to the Macmed board soon

Hiscock said that with the completion of this deal Macmed would have 109-million ordinary shares and 31-million preference shares in issue. The 6,9% preference shares would be automatically convertible after five years and would easily be serviced by the well-capitalised group, he added

Medichmc Corporation and Standard Bank Nominées stakes' would be

cut to 18% from 30% and 24% respectively, with Old Mutual holding 4%, Thebe 20% and the balance held by smaller ordinary shareholders

In addition to acquiring new shareholders, Macmed has recently formed a joint venture company with US medical group Kendal, and also bought Crest Health Care

Yesterday's special meeting approved the increase in the authorised preference share capital to 70-million shares as well as the issue for cash of 10,2m shares at R1,80 per share to enable the group to complete its deal with Thebe.

Hiscock said the deals left Macmed ungeared with total shareholders' funds of R120m (R42m) and cash of R30m. He projected a rise in total turnover to R250m (R90m) this year and R500m over the next three to four years

Much of the growth was expected to derive from the public sector, where Thebe's credentials would be helpful in securing government tenders, particularly those in the primary health care market

Mossgas sell-off still on track

Staff Reporter

(183)

ARG 25/6/96

THE fact that a South African consortium had withdrawn its offer to buy the controversial Mossgas plant, did not end government plans to sell off the gasfield, according to the chairman of the Central Energy Fund (CEF).

It became known yesterday that a South African consortium, made up of AECI, Sasol and Sentrachem, withdrew from the bidding process as it believed the state-owned plant could not be run economically.

The consortium said investigations had shown that it

was not a viable option to convert the plant for the production of methanol

Fund chairman Roy Pithey said although it was "a bit of a disappointment" to hear of the consortium's withdrawal, the process would go ahead

The fact that the consortium believed converting Mossgas into a methanol plant would be uneconomical was not of much concern as many options were being considered in discussing future use of the plant

He would not say how many companies were still in the running to buy the plant - widely regarded as a white elephant

- but said that these included international and local players in the petro-chemical field.

It is believed that 12 companies are still in the race to buy the plant

Narrowing down the field was very difficult, he said.

This was because the various companies' plans for the future of the project were very diverse, Mr Pithey said

"It is almost like comparing a basket of fruit with a basket of vegetables," he said.

By the middle of next month the role players should be narrowed down to "one or two", he added

Experts debate Mossgas's future

Reinie Booysen

MOSSGAS — the beleaguered southern Cape oil-from-gas plant — was unlikely to be converted into a viable petrochemical facility, and its future now remained in the synthetic fuel sector, industry sources said yesterday.

A consortium of SA companies — Sentrachem, Sasol and AECI, now called Kynochem — announced over the weekend that it would not pursue its bid to convert Mossgas into a methanol plant. Methanol is one of the basic "building blocks" used to manufacture more sophisticated petrochemicals.

Sentrachem MD John Job said yesterday: "We looked also at the possibility of a more extensive petrochemical facility in the future, building on the methanol facility, but that was a much longer shot. It would have required much more expensive infrastructure, better port facilities and so on."

Job said the consortium had studied Mossgas's data in detail from March through to May, and concluded that the project was not "as attractive as it needed to be". He said it was likely that SA's next petrochemical facility would be built somewhere else in the coun-



JOB

try, and not in Mossel Bay.

Other industry sources close to the consortium, who preferred to remain anonymous, said they thought it unlikely that any other bidders would convert Mossgas to a petrochemical plant.

Using the offshore gas reserves for domestic or industrial application in the Cape Town area is also a possibility that has been men-

tioned, but that would render most of the onshore hardware useless, unless an alternative feed stock like imported gas condensate was used.

Minerals and Energy Affairs Minister Pik Botha said last week that the commercial viability of developing satellite fields and adding compression facilities, to extend the life of the offshore gas reserves at Mossgas for synfuel production until the year 2001, had been independently verified. He said the Cabinet would soon be approached to approve the R910m investment — R570 for the satellite fields and R340m for the compressors.

Roy Pithey, chairman of the Central Energy Fund which controls Mossgas on behalf of government, said yesterday there were still several bidders interested in Mossgas. He said the bidders had been reduced from 80 to 14 on June 14, and of those several remained interested, including local and international bidders. He declined to say how many bidders there were, but said a decision would probably be made by the middle of July. Rand Merchant Bank and Arthur D Little had been commissioned to advise the Central Energy Fund, Pithey said.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom

Chemical consortium drops Mossgas bid

(183) CT(BR)25/6/96

By Marc Hasenfuss

CAPE EDITOR

Cape Town — The prospects for the restructuring or sale of Mossgas, the government's R11 billion oil-from-gas white elephant, were dealt a blow yesterday when a bid from a powerful South African consortium folded.

The consortium, comprising chemical companies AECL, Sasol and Sentrachem, said it would not submit a further bid.

The consortium had expressed an interest in acquiring Mossgas's oil-from-gas plant for conversion into a methanol plant.

The consortium said its recent investigation of Mossgas, during

which full and detailed access had been afforded to it, had made it conclude that the economics of the proposed project were "not sufficiently attractive to warrant further participation in the process".

Alfonso Niemand, a Sasol spokesman, said the consortium had decided unanimously not to participate further after examining all the factors involved. He said the decision was taken on purely economic grounds.

Rowland Darrol, a spokesman for the mineral and energy affairs department, discounted speculation that the consortium's decision would scare off other bidders.

Local and international investors have submitted 12 pro-

posals to restructure Mossgas. The company's management and staff have also put in a bid.

German-based Thyssen and Britain's Brown & Root are believed to be interested.

Darrol said the local consortium had had a specific plan in mind and their decision did not necessarily mean a blow to the bidding process.

An industry source said it was difficult to gauge the implications of the consortium's decision, but said it could have "done something" with Mossgas.

An industry analyst said the decision was "hardly surprising" because the economics of a methanol plant were not attractive

Concern over pressure to install Premier executive as head

Rift over Adcock merger

CT (BR) 25/6/96 (83)

By Ann Croft
CONSUMER INDUSTRIES EDITOR

Johannesburg — A rift has developed between Adcock Ingram and Premier Pharmaceuticals (Prempharm) about who will head the new company to be created by their merger, industry sources said yesterday.

The Premier Group has been exerting pressure to appoint Phil Norther, the chief executive of Prempharm, to head the new pharmaceutical company.

Adcock Ingram executives are also concerned that one of its Durban operations might be closed and staff might be retrenched. The merger is expected to result in R50 million of costs being cut.

Premier declined to comment yesterday, but details of the merger are expected soon.

Analysts had first speculated that Premier would end up as the minority partner in the combined operation, because it would use the merger as an opportunity to pick up much-needed cash.

For that reason, it was thought that Don Bodley, Adcock's chief executive, would be heading up the merged operation. Otherwise, given that he is expected to retire soon, a senior executive from one



Don Bodley

of Adcock's operating groups was expected to get the post.

However, it seems there has been considerable pressure from the Premier side to ensure Norther gets the top position.

Norther, who is regarded as one of the toughest executives in the industry, is credited with Prempharm's excellent profit growth in recent years.

However, some analysts fear he may not be the right man to manage what is expected to be quite a tense merger process that will involve closing facilities and the retrenching some employees.

"Like most large companies, there is a certain degree of wastage at Adcock, so a new manager would have reasonably easy scope for cost cutting. For the next three years it will be easy for



Phil Norther

Norther to look good through cuts and retrenchments," one analyst said.

"But the real test of whether or not the merger has been successful will take much longer and I think will need a people person."

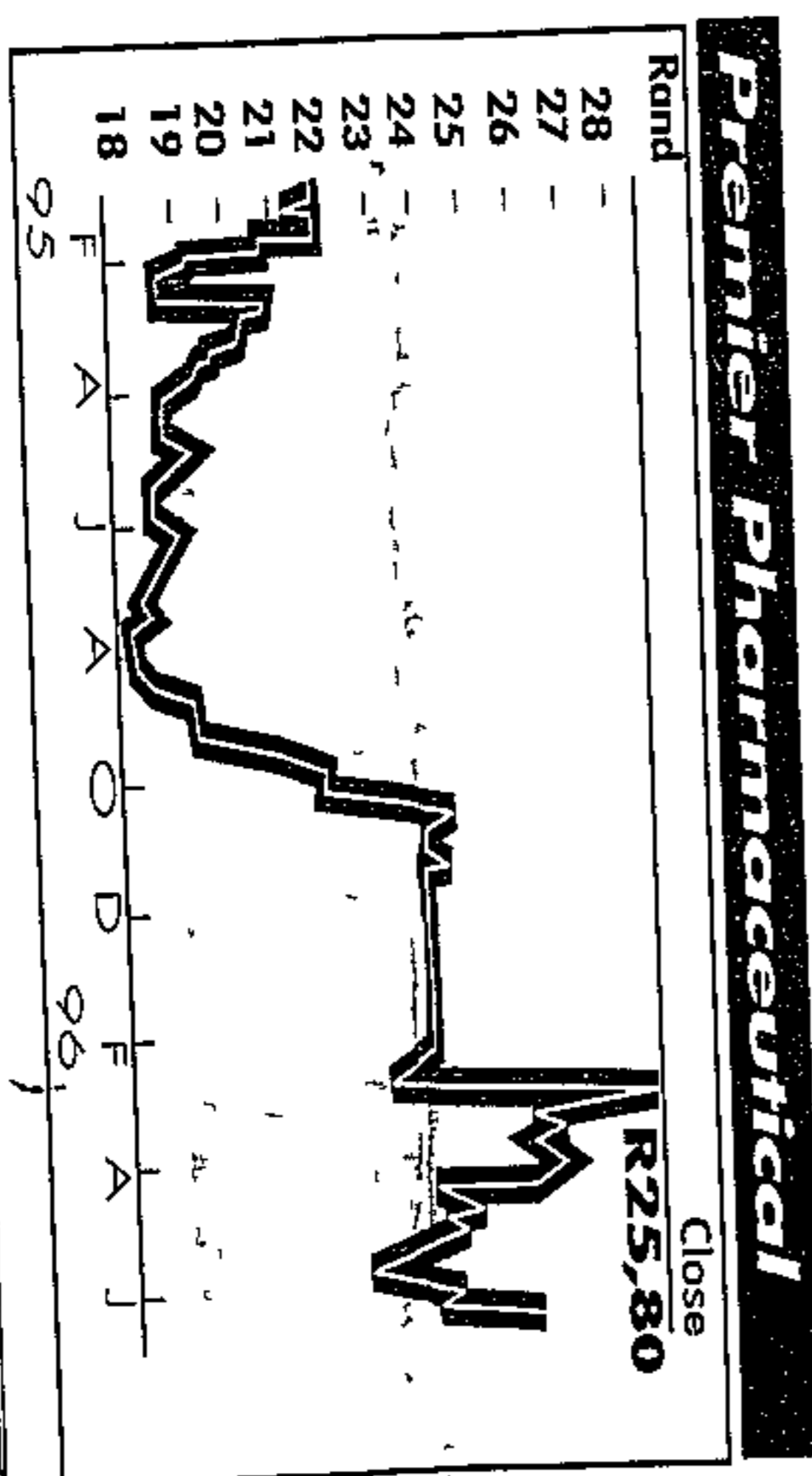
Moreover, whoever runs the

combined operation will have to be able to deal with Sabay, Adcock's overseas partner.

The deal may not include United Pharmaceutical Distributors, Premier's wholly owned pharmaceutical distributor, which has been something of a chronic underperformer.

A previous attempt by Gordon Uhan, Premier's former executive, to absorb United Pharmaceuticals into Prempharm was challenged by Prempharm minority shareholders, who were concerned about a knock in the earnings of the combined operation.

But United Pharmaceuticals has undergone a radical restructuring and is now believed to have turned the corner and to be trading profitably.



Petronas seeks pledge on 30% stake in Engen

Reinie Booyen

MALAYSIAN oil company Petronas insisted Sanlam and Rembrandt guarantee it a 30% stake in Engen, amid fears that its plans to take control of the company could be scuttled by a rival bid.

Sanlam said yesterday the R1,9bn deal — announced earlier this month — was delayed for two to three days in an attempt to create a mechanism to meet Petronas's demand. The Financial Times yesterday quoted Petronas advisers saying negotiations with Rembrandt and Sanlam, who together hold 30,6% of Engen, "almost sank the deal".

Petronas was worried that a better offer may have come along, Sanlam chairman Marinus Dalng said yesterday.

In the end, Petronas paid Sanlam and Rembrandt effectively a one-off "insurance premium" of R27m to guarantee it a 30% stake in Engen.

Dalng said it was not clear who else would have been keen to buy

Engen, though analysts had speculated on Mobil, Total and Elf Aquitaine as potential suitors before Petronas emerged.

Petronas has offered all Engen shareholders R34,50 a share for 21,6% of their shares (the "partial offer") and R3 for all the "renounceable nil paid letters of allocation in terms of a R605m rights offer to current shareholders (the "nil paid offer").

If all shareholders accept these offers, Petronas will have 30% of Engen's equity, but this is not guaranteed.

Sanlam and Rembrandt agreed to accept the offers — and for a lump sum R27m, payment to sell as many additional shares to Petronas as necessary to give it 30% after the partial and nil paid offers.

Dalng said Sanlam and Rembrandt were surprised by Petronas's insistence when final negotiations began.

"There was lack of clear communication," Dalng said. "We weren't aware of it. We thought

they would make a bid, make it attractive and accept what they got."

Following the deal Sanlam will be left with 15% to 16% of Engen, which Dalng described as a "balanced holding."

Dalng said Petronas would offer Engen greater opportunities.

(183) MD 26/6/96

Energy fund chairman to stay

Robyn Chalmers

(183)
DD 26/6/96
CENTRAL Energy Fund chairman Roy Pithey, who had requested to be relieved of his post in March, said yesterday he would remain at the helm of the organisation and its subsidiaries to assist with the Mossgas bidding

Pithey has been critical in the past of the parliamentary process determining the future of Mossgas, but it was understood he had been asked by Mineral and Energy Affairs Minister Pik Botha to remain as chairman of the fund. The fund controlled Mossgas on behalf of government

Industry sources said yesterday government had been concerned the fund would be leaderless at a crucial stage for Mossgas. Bids for the parastatal were being assessed and it had embarked on the development of satellite fields.

Pithey's request to be relieved of his post in March coincided with

the resignation of Mossgas MD John Theo, and took place shortly before Cabinet approved further funds for Mossgas to invest in satellite gas fields

Cabinet's preliminary approval of R570m for the satellite fields and R340m for compressors, would allow Mossgas to operate more profitably and improve its appeal for potential buyers

At the time of his request, sources close to Pithey said he had thrown in the towel because of political meddling in Mossgas. It was understood he had been critical of the way Mossgas was governed, claiming management was denied a say in the parastatal's future and that taxpayers money was wasted by indecisiveness

Pithey, however, said at the time that he had asked to be relieved of his duties as he had met most of the medium-term goals he set when taking on the three-year post in March 1994.

Adcock unit move 'unrelated' to merger

(183) CT(MR) 26/6/96

By Ann Crotty

CONSUMER INDUSTRIES EDITOR

Johannesburg — The relocation of Adcock Ingram's Durban-based Consumer Healthcare operation is not related to the merger discussions with Premier Pharmaceutical, Don Bodley, Adcock Ingram's chief executive, said yesterday

He said the proposal for a phased closure of the operation "follows an 18-month evaluation of manufacturing strategy to optimise the use of our manufacturing facilities towards a more effective way of meeting customer needs and improving efficiencies

"The proposal being discussed

is the scaling down of the Consumer Healthcare division's manufacturing and ancillary services in Durban over a two-year period and the consolidation of these operations with the company's pharmaceutical facilities in Johannesburg"

This would also involve the transfer of the marketing and sales management functions to Johannesburg, he said

He said the company was discussing various retrenchment packages with management, staff and the Chemical Workers' Industrial Union.

He said "(this) consultation process had commenced on 8th

May and management and staff have been aware of the proposal since that date"

About 250 Durban-based employees will be affected by the scaling down

Cautionary announcements about merger negotiations were first published by Adcock and Premier in March. At that stage, neither group would disclose the identity of the party with whom it was negotiating

Premier Group, Premier Pharmaceutical's holding company, and Tiger Oats, Adcock Ingram's holding company, denied that there was any rift over the merger yesterday

Pick 'n Pay fuels hopes of cheaper petrol

(183)
By TROYE LUND

Star 27/6/96
Pick 'n Pay says it is preparing to sell its own brand of petrol for 20 cents a litre less than the national price by the end of this year.

The group's managing director, Gareth Ackerman, said yesterday it was confident this would be possible following the "enlightened and deliberate steps" towards deregulation taken by outgoing Mineral and Energy Affairs Minister Pik Botha.

Pick 'n Pay management was meeting regularly with overseas supermarket chains already selling petrol.

Ackerman said he was waiting for the mineral and energy affairs' document on how the industry should be deregulated to be finalised by the National Economic Development and Labour Council before making the next move.

The supermarket group was prepared to take the matter to the Constitutional Court if the final proposal on deregulation discriminated against it, he said.

Director of Transport, Thinus Burger said: "The document on how deregulation will happen has been submitted. The process is still underway"

CASH STILL MOUNTING

FM 28/6/96

One of the more significant aspects of Lion Match's solid results is the resumption of turnover growth

Turnover has been declining since the early Nineties and got a shove from the disposal of two subsidiaries, Interpak and Amalgamated Appliances, in 1993

Group turnover of R184,6m is not in itself an accurate reflection of trading, as it includes preference share dividend income of R15,4m. However, product sales grew by 5,6% to R169,2m last year, continuing an upward trend in place for at least five years

MD Terry Turner sees the continuing

FINANCIAL MAIL • JUNE 28 • 1996

102 COMPANIES

- ACTIVITIES *Makes, markets and distributes matches, disposable lighters, firelighters, shaving products, knives, scissors and garden tools*
- CONTROL SA Breweries 70,5%
- CHAIRMAN L van der Watt MD T K Turner
- CAPITAL STRUCTURE 45,4m ords Market capitalisation R441m
- SHARE MARKET Price 970c Yields 3,4% on dividend, 8,3% on earnings, p e ratio, 12,1, cover, 2,4 12-month high, 970c, low, 650c Trading volume last quarter, 447 000 shares

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	4,3	5,4	4,2	3,7
LT debt (Rm)	23,0	13,6	10,2	6,5
Debt equity ratio	0,19	nil	nil	nil
Shareholders' interest	0,60	0,81	0,81	0,84
Int & leasing cover	6,0	n/a	n/a	n/a
Return on cap (%)	17,4	11,9	10,4	13,5
Turnover (Rm)	295	238	167	185
Pre-int profit (Rm)	42	36	33	45
Pre-int margin (%)	14,2	15,0	19,7	24,6
Earnings (c)	34	45	57	80
Dividends (c)	14,0	18,5	24,0	33,0
Tangible NAV (c)	320	534	567	620

increase in product sales as providing an answer to forecasts of doom for the matches market "These results show the positive impact which an increase in private consumption expenditure has on our market"

Ultimately, continuing electrification must start to erode part of the matches market But this is being offset by Lion Match's focus for the past three years on exports And household use is only part

of the matches market The rest relates to the tobacco industry, which, like other developing countries, is not showing much weakness in the face of anti-smoking legislation

But the big question still concerns the company's large cash balance, up to R214m from the previous year's R201m

A breakdown in an annual report notable for its good disclosure — except financial information on exports, withheld for competitive reasons — shows that R166m of the cash is invested in redeemable prefs, yielding 9,8% a year but, perhaps more important, offering tax savings The remainder is on deposit at 14%

Dividends and investment income are providing a good return to shareholders The cash is not likely to remain in a passive investment but there are no definite answers "We are still exploring all options open to us," says Turner "It's a large amount of money and we will need to make a careful decision"

Options include making an acquisition which has synergistic benefits with Lion Match's strong marketing and distribution network

Exports will benefit from the weaker rand as products sold into Africa and

South America fetch US dollars Turner also points out that the depreciated currency helps maintain a competitive position against imports

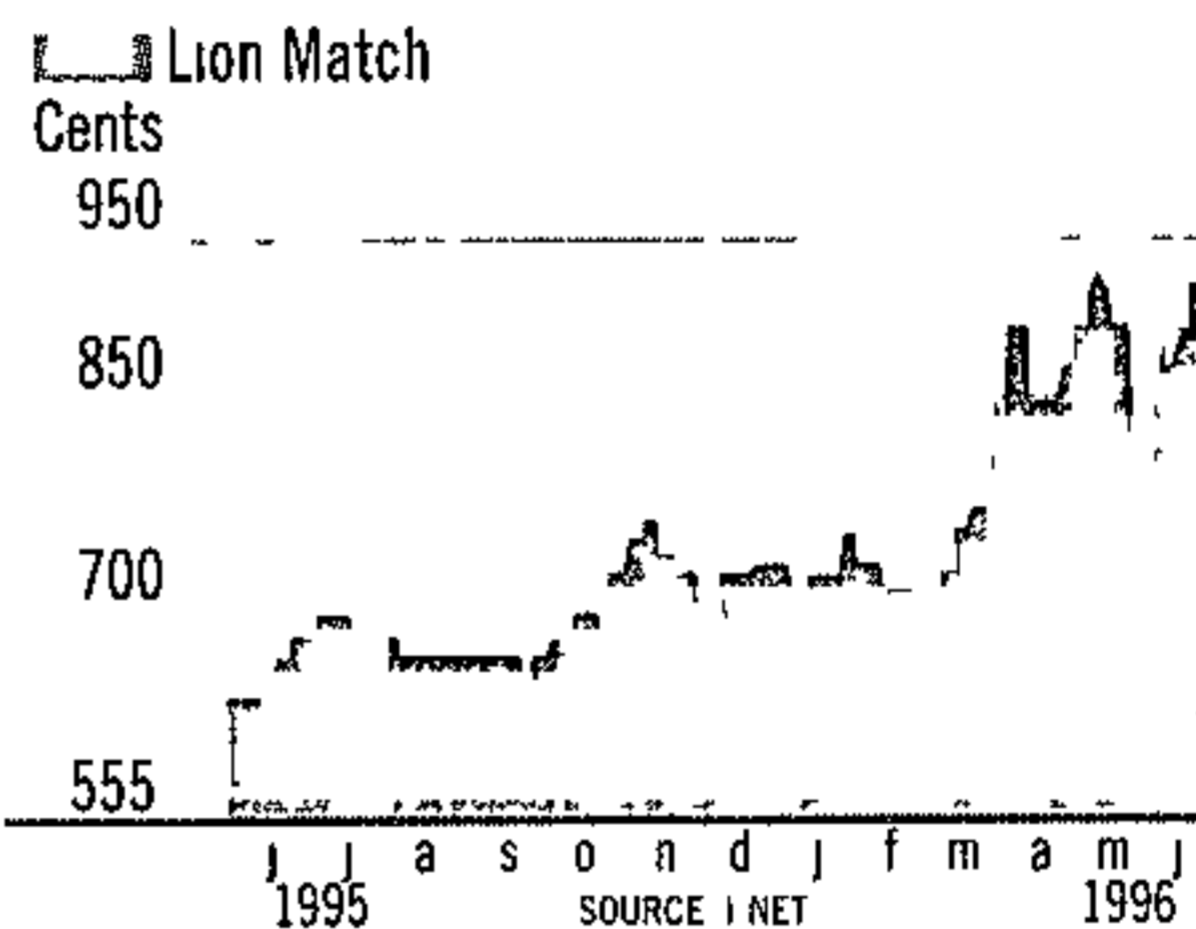
Results are also underpinned by cost controls and improved efficiency A total of R10,9m will be invested this year in in-house development of match manufacturing equipment

Diversification into shaving, home and garden products is making a useful contribution, growing to 16% of trading profit last year compared with about 14% in the previous period

With the share on a new high for the year of 970c, the

market appears to be placing more value on the core business At the financial 1995 year-end cash holdings stood at R201m against market capitalisation of R295m, implying a value of R94m on operations This has increased to R227m, with market cap growing rapidly to R441m against cash of R214m

A p e of 12,1 must indicate value, though comparisons with the average p e of 15,5 for the large and diversified industrial holding sector are not particularly meaningful Lion Match should eventually find a useful home for the cash, lending longer-term value to the share *Shaun Harris*



Natural gas to fuel economic boom

(183) ARG 29/6/96

■ The Western Cape is set to become the first South African province to be supplied with natural gas as an energy source. The gas, which will be piped from the Bredasdorp Basin, could serve as an economic catalyst for the region.

WILLEM STEENKAMP
Staff Reporter

THE Western Cape could face a major economic boom with the establishment of a gas network which will ultimately meet a substantial part of the energy requirements of the entire region

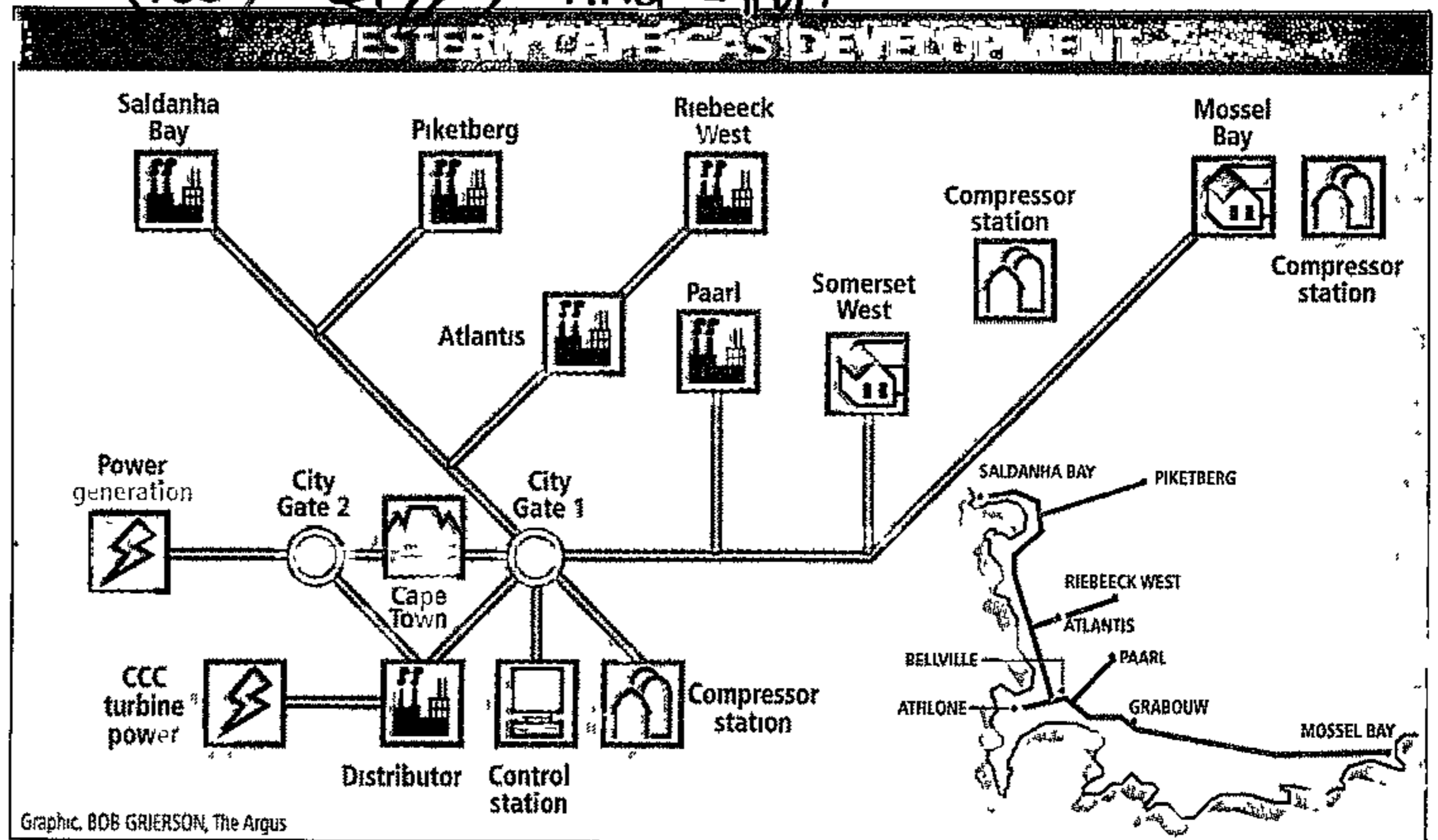
In an exclusive interview with SATURDAY Argus Soekor has disclosed that a comprehensive study to establish whether gas reserves could meet the energy requirements of the Cape and form part of a network to serve the whole of the Southern African region is nearing completion

Gas is one of the cleanest energy resources and once pipelines have been laid, it is relatively cheap to pipe gas from gas fields off the coast to different development nodes. In Europe and America gas is piped thousands of kilometres from the source to the user

Soekor spokesman Jack Holliday, who has been closely involved in the project, said the company had already established that there was a substantial market for gas as an energy source

The company had also determined there were enough gas reserves in the offshore Bredasdorp Basin to supply gas to the Western and Eastern Cape for at least the next 25 years - and the possibility exists of more gas discoveries

Mr Holliday said now that Soekor had established there was a substantial market for natural gas, a study was being done to



Graphic: BOB GRIERSON, The Argus

see if gas could be produced at an acceptable commercial rate for the user

Johan Visagie, development economist at Soekor, said the change to gas as an energy source held the potential to transform the economic prospects of the region

Cape Town electrical engineer Fred Berwyn-Taylor said the city would gladly buy gas as an energy source to power its power stations if it was available at a reasonable price

Mr Berwyn-Taylor said that it would be fairly simple to convert coal burning power stations to gas burning stations

It currently costs about R200 a ton to transport coal from Gauteng to feed power stations. The transport of gas would take place through a 45cm pipeline and would be much cheaper in the long run

Mr Visagie said a major macro-economic disadvantage for the Western Cape was its distance from coal fields and the consequent high delivery cost of coal as an energy feedstock to the region

This situation had precluded much industrial development

It was envisaged that a gas pipeline could be constructed between Mossel Bay and Cape Town with branches to major centres

identified as growth points, including Paarl, Atlantis, Riebeeck West, Piketberg and Saldanha Bay. The gas delivery chain could be owned and operated on a commercial basis by private companies with no state funding requirements

Mr Visagie said the gas industry in Southern Africa was largely undeveloped and in 1994 natural gas accounted for less than two percent of the total regional energy demand

The International Energy Agency expects gas to meet 25 percent of world energy needs in the next century and indications are that this will also apply to regions on the African continent

With gas projects such as Songo Songo in Tanzania, Pande in Mozambique and the huge Kudu gasfield near Luderitz in Namibia, there is potential for a future energy inter-dependence between South Africa and its neighbouring countries

This could eventually see a cross-border supply of natural gas and the consequent escalated development of a natural gas industry in Angola, Mozambique and Namibia

The realisation of the Western Cape gas option could also serve as a catalyst for the development of the Kudu gas field, offshore of Namibia, and the linking of gas produced from that field into the Western Cape transmission system

Mr Holliday said there was a vast potential for other gas discoveries on the West Coast and, if and when these fields were developed, they could also be linked into the gas transmission system.

Mr Visagie said the development of the Western Cape gas project would contribute significantly to the Reconstruction and Development Programme by providing a convenient source of energy

The infrastructure for domestic gas usage could be implemented in the RDP housing projects, resulting in a huge benefit for both the government and the communities concerned

The use of gas would not only reduce overall energy costs, but would significantly stimulate regional industrial and economic development, Mr Visagie said

New pharmacy system to be tested at Jo'burg Hospital

BY JANINE SIMON
Medical Correspondent

A pharmacy offering prescription drugs and primary health-care services is to open in the Johannesburg Hospital as a research collaboration between Wits University's department of pharmacy and the private sector

The services will be available to university students and staff, and later, the public

The pharmacy has been donated and stocked by the private sector. It will be run by a pharmacist, but used to train pharmacy students, and evaluate drug-pricing structures and models of group practice health care, said head of department Professor Indres Moodley

"We're entering unknown territory, but we're looking for the best possible model of health care at

the interface between the private and public sectors. It could change the way health care is delivered in this country," he said

The pharmacy's start-up donation of prescription drugs includes 250 medications for common ailments specified on the Basic Medicines List, a comprehensive list of medications based on the Essential Drugs List

These will be sold to the public initially on the model of cost plus 20%, to analyse the viability of one of the Department of Health's options on medicine price structures that medicines have a standard point-of-entry price and a fee for the pharmacist's service, Moodley said

Funds from medicine sales will be channelled into a university administered account to pay for research, he said

The pharmacy will also examine the effectiveness of a group-based primary health care practice operating out of a pharmacy

On the first model being evaluated, the pharmacy would run a practice comprising a primary health-care nurse, pharmacist, general practitioner, x-ray and laboratory services

Patients will be able to consult a nurse or general practitioner and get a basic prescription drug for about R30

Those who the nurses feel need further attention will be referred to the GP, Moodley said

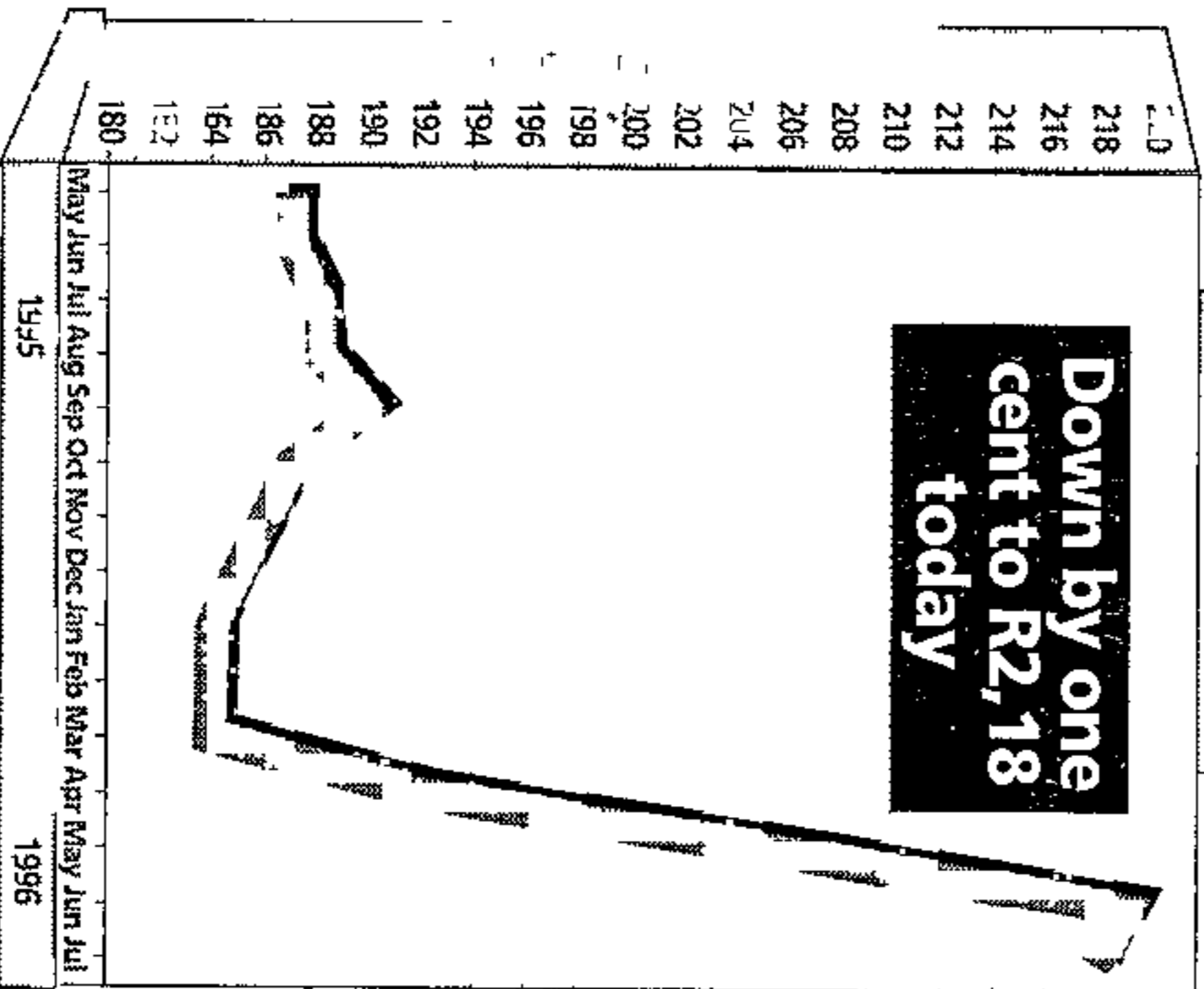
The pharmacy will be located in a former Medical Research Council laboratory in the department of paediatrics on Hospital Street, and is expected to be up and running by next month

(183) star 2/7/96

Seesawing price of liquid gold fuels the fires of national fury

PETROL PRICE

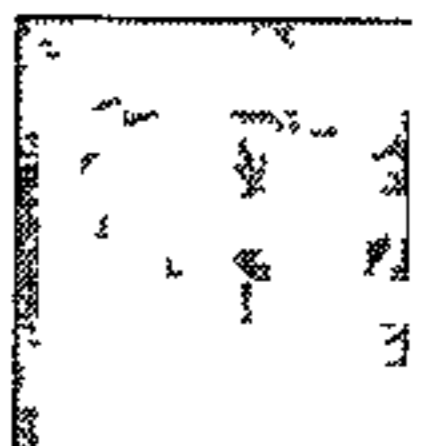
Down by one cent to R2,18 today



Star 3/7/96
Petrol grades available in SA:

- | | |
|----------------|---------------|
| COASTAL | INLAND |
| 97 (leaded) | 93 (leaded) |
| 95 (unleaded) | 91 (unleaded) |
| Diesel | Diesel |

Octane is an ingredient of petrol, while the octane rating is a measure of the quality or type of petrol used. Octane requirements decrease with altitude, hence the use of lower octane petrols inland. It is generally accepted that the higher the octane the better the performance of a vehicle, and this argument formed the basis of a lobby against the low octane unleaded fuel that was introduced into South Africa. The 91 unleaded octane is a low rating in comparison to international standards, but it has been introduced initially because higher octane costs more money. Lead is used as a cost effective way of increasing the octane rating of petrol. The same octane rating can, however, be achieved without the addition of lead by reformulation of the petrol with more highly refined components which are more expensive to produce. As a result, the unleaded petrol grades are two octane numbers lower than the highest leaded grade, both inland and at the coast for optimum cost efficiency reasons.



By Nikki Whitfield

anybody who has been driving for a number of years has had similar conversations. "When I was at varsity, I'd put R5 in my car on a Friday night and drive around all weekend." "I remember when R10 used to get me from Jo'burg to Pretoria and back. And even then I didn't have to fill up."

But things have changed. Now petrol costs nearly R2,20 for a single litre and you're lucky if R50 of the stuff lasts you a week if you use your car every day.

But, while nobody expects to drive around on a whiff and a promise for any length of time any more, who would have thought we would have to pay this much so soon?

From last July until March this year, the prices at pumps were pretty constant, never going above the R1,90/l mark. They hit that figure in September, but the following month dropped to R1,87, then to R1,86, followed by a further dip to R1,85 in December. January, February and March saw the price remaining constant at R1,84.

Then the price started to change rather alarmingly. In April, it was pushed up to R1,92, dictated by market forces and a 3c/l increase in fuel tax granted to

the Government in the Budget in March. Still, it was below R2,00 and few people believed it would improve that figure. But the very next month, it did - to R2,06. Motorists were outraged, taxi drivers incensed.

"We will lose customers if we push up fares," they lamented, and threatened to strike. But worse was still to come. In June, a whopping 13c was added, fueling the fires of nationwide fury. Demands for the Minister of Mineral and Energy Affairs and Transport to step in and do something about drivers' lots descended from several quarters - usually headed by taxi organisations, but also coming from trade unions and consumer organisations.

This month, the price falls by 1c/l for high octane fuel and by 3c/l for other grades, but it's way off what's being asked for - in some cases an unrealistic drop of R1,50/l. It could have come down more, had the Government not been granted a 1c/l increase in fuel tax.

The price began to climb as the rand fought for credibility against the dollar and oil prices soared under furious demand for fuel while the northern hemisphere shivered under a severe winter. Brent oil prices rocketed from \$18 a barrel to \$22 as a result,

although, predictably, as the weather brightened, they began to drop off - hence this month's price cut, which was also influenced by the strengthening of the rand.

The petrol price used to be controlled under the clandestine wraps of the National Party government. If it went up, it went up - no one was ever really sure why. Now, however, the price is adjusted on the first Wednesday of each month by the Central Energy Fund (CEF).

And we know what cut the Government takes of each litre -

Petrol price is adjusted by the CEF each month

about 90c, of which the majority goes on fuel tax, some to Sasol, a portion on excise duty and a segment to the third party fund.

Fuel prices are adjusted in such a way that the over- or under-recovery during one month is corrected in the following month. The units of over- or under-recovery are rounded off to the nearest cent.

Everybody involved in the industry wants more money. Transport Minister Mac Maharaj wants more added on to every litre for the roads. The oil industry wants

its profit margins increased by 3c/l. The motorist, though, wants to pay less. So what's the answer - deregulation? Doing away with fixed margins and throwing the market wide open to competition, in line with worldwide developments and trends?

Pick'n Pay boss Raymond Ackerman certainly thinks so - there are rumours he could be selling petrol for up to 20c/l cheaper by the end of the year if he has his way.

Cheaper petrol is the obvious up-side of the coin. We could find ourselves in a similar situation to that in the United States, where the price of fuel can differ by as much as 30c a gallon between two stations literally across the road from each other.

But the flipside of the coin is that thousands of people could lose their jobs if stations become self-service.

"Whether stations would all become self-service is purely speculation at this stage," said Colin McClelland, director of the South African Petroleum Industry Association (Sapia).

"Maybe South Africans would prefer to hand their keys out of the window and live with a few extra cents to the litre to have service. But if the situation overseas is anything to go by, people would rather pay less and fill up

their tanks themselves. "Sapia would welcome a market freed from Government intervention. And the basis of our argument is that because of the greater efficiency deregulation would bring, the economy would be boosted and jobs created elsewhere."

But some filling station owners are against deregulation. They have been accused by people in the industry of being frightened of change and afraid of having their cushy fixed margins taken away from them.

Yet many are already diversifying for a deregulated market. To make more money, they have opened 24-hour snack shops, sell braais, wood, charcoal and flower, have installed ATMs and offer carwash facilities.

After the NP stepped out of the Government of National Unity and Pik Botha vacated his position as Minister of Mineral and Energy Affairs, the portfolio was handed to Penuell Maduna.

Hopes are high among players in the fuel industry that this appointment will speed up reform in the sector, that there will be less politicking and more action.

"Sapia welcomes the new appointment," McClelland said. "Hopefully, Maduna will take the policy debate to a solution. If he can do that, and break what is a three-year hiatus, it would be most welcome." We will have to wait and see

Firm wants to crack black beauty market

semetan 3/7/88 (183) (10)

By Shadrack Mashalaba

LEADING black health and beauty aid company Carsons South Africa says it is to embark on a massive drive to penetrate the African market

Carsons is a subsidiary company of Carson Incorporation, a Delaware-based corporation

The company is to be listed on the Johannesburg Stock Exchange today, with a preferential offer for subscription valued at R2,5 million in ordinary shares at an issue of 200 cents per share

The company manufactures brands such as Dark & Lovely, Excelle, Beautiful Beginnings, Magic, Dark & Natural and Reviving Colors – all internationally acclaimed products

Strength to strength

Carsons chairman and chief executive officer Roy Keith says that since the launch of their operation in South Africa three years ago they have grown from strength to strength to occupy the number three spot in the hair care product market

"Indeed this has been spectacular when one considers the fact that during the sanctions era we stayed out of the country and came back when President Mandela appealed for investment," says Keith

He says the purpose of listing is to pay an R8 million debt, acquire a new strategic venture and raise the profile of the company

Carsons managing director Malcolm Yesner says competition in the industry which has multiple brands is intense but their products are a cut above their competitors

He said the secret is that one percent of annual budget is devoted to research and development

"We will be embarking on a strategic move to acquire another company that deals with hair prod-



Roy Keith, chairman and chief executive officer of Carsons

ucts This is part of our expansion strategy to cope with future challenges and bring more foreign exchange into the country," Yesner says

The hair products industry's growth was being hampered by excessive taxation

Can't afford

"We need to mobilise the players in the industry as we can no longer afford to pay corporate tax and furthermore be subjected to the 14 percent *ad valorem*

"Suffice to say, we would rather

spend that money on productive capacity development projects as we do not receive any help from the Government," he added

"We have invested about R100 000 to open a training centre in August in the central business district wherein salon owners will be educated about our products.

"This will go a long way in helping consumers," says Carsons technical manager Morgan Makhubela

He says training will help eliminate problems associated with hair products, such as loss of hair and burns on the scalp

(183)
Polifin upgrades
its network as
business grows
C (BR) 4/7/96

Johannesburg — Polifin, the plastics company jointly owned by Sasol and AECL, has upgraded its wide area network and its Midlands plant network

Dimension Data completed the work as a subcontractor on the project

Polifin makes a large portion of the raw ingredients used in plastics manufacturing in South Africa

To expand its business, the company needed a sophisticated communications infrastructure that would allow it to interconnect nationwide operations and cater for substantial future increases in users and capacity, said Roger Crosby, the financial manager at Polifin

The network needed to provide a platform for the implementation of an SAP-R3 enterprise software applications suite and cater for future technologies, he said

A Cisco router-based wide-area network was installed last year to interconnect regional operations including Secunda, Polifin House and the company's sales offices in Durban and Cape Town

Polifin was slowly migrating from the mainframe to a more open client-server environment, he said, because all divisions at the company had become autonomous business units

Mossgas fails to attract the big investors

ST (DT) 7/9/96 (183)

By CIARAN RYAN

THE government's privatisation programme is off to a bad start after attempts to sell Mossgas stumbled at the first hurdle

None of the 15-odd potential buyers has offered anything like government wants for the synthetics fuel plant and offshore gas fields. It now seems likely that the government may have to abort the proposed sales unless a second round of negotiations produces a better offer.

Prospects for a sale now appear bleak, forcing the government to make the best of a bad commercial proposition and authorise additional spending of nearly R1-billion — in addition to the R11,3-billion it cost to build the plant — to extend the life of the gas fields. Additional spending will be funded out of Mossgas cash flows, and will not be for the account of taxpayers.

Attempts to sell Mossgas are complicated by the fact that drilling must start on new satellite gas fields this week to avoid running out of gas in May 1997.

David Day, chief executive of Mossgas, says he is awaiting authorisation to use R910-million to develop the satellite gas fields and install compressors.

The 20% depreciation in the rand since February has added nearly R90-million to the budgeted cost of the development.

Mineral and Energy Affairs says former Minister Pik Botha authorised the expenditure, but the final word must come from the Ministry of Finance.

Roy Pithey, chief executive of the Central Energy Fund, says none of the offers meets the State's objectives for a sale which includes improved balance of payments, additional wealth creation and employment for Mossgas workers.

"None of the bids is worth more to the

State than continuing with synthetics fuel production," says Mr Pithey.

Discussions will be held with two or three local and international bidders to see if an improved offer can be found. Although the AECI/Sentrachem/Sasol consortium pulled out of the contest, one of the consortium members, AECI, is believed to be interested in forming a joint venture to produce methanol, a by-product of which is hydrogen, used in the manufacture of ammonia — a market controlled by Sasol.

One of the bidders is understood to have offered to purchase a portion of Mossgas, but wants to acquire some of Soekor's interests off the eastern Cape, none of which have been offered for sale.

Other bidders want timetables on the deregulation of the fuel industry and the removal of exchange controls.

At least one bidder wants a free trade area in the eastern Cape, partly to neutralise the power of unions. Several bidders expressed concern at regulations governing the fuel industry, which would leave any potential buyer at the mercy of the oil majors. The majors are obliged to uplift all Mossgas and Sasol output at In Bond Landed Cost, the theoretical price of importing refined fuel. There are fears the oil majors could trash this agreement, leaving Mossgas without a market.

"Mossgas is cash positive before tariff protection, and it may make more economic sense to continue producing synthetic fuels as a State-owned enterprise, given the current high degree of regulation in the industry," says Day.

Looking good with direct-sales cosmetics

(183) (BR) CT 8/2/96



By JOHN SPIRA

With sales of R200 million a year Avroy Shlaim Cosmetics reigns supreme in direct selling of cosmetics

Having sold his company to Sarah Lee, one of the world's biggest conglomerates, Avroy Shlaim has no need to work any longer.

Yet he is, and with such gusto that Avroy Shlaim Cosmetics is growing so rapidly it is barely able to fulfil its orders.

With annual sales of more than R200 million, Avroy Shlaim Cosmetics reigns supreme in South Africa's direct selling cosmetics market.

Shlaim reckons his company accounts for 40 percent of total South African turnover in this market.

The sales composition is interesting, with R40 million accounted for by sub-contracting to, among others, the big chain stores, and R18 million comprising exports. The rest reaches the consumer via 14 000 direct sales people throughout the country.

Shlaim is optimistic on the export front, where he believes ASC could have made far greater inroads had it devoted more attention to this market.

"We've simply been too busy in the domestic market. We only have four people in our export division. But that will soon change as we embark on a more focused export drive."

The company's foreign sales are directed principally at Bellarussia and Latvia.

"We've trained seven women from Latvia in South Africa. They now manage direct selling groups. Direct selling in South Africa is fairly mature."

"Not so in Eastern Europe, where direct selling has a long way to go and where people earn starvation money. In Russia, for example, I came across a woman whose husband is an engineer with an MBA earning \$100 a month. She joined us and in her spare time is earning \$50 a month. In Latvia we offered watches of average quality as an incentive. It changed their whole life."

"So there's an incredible opportunity for us in eastern Europe."

In 1994, the company achieved sales growth of 34 percent. Last year, the figure was 33 percent and for this year it has budgeted for growth of 20 percent.

In March, says Shlaim, year-on-year growth was 65 percent and in April 40 percent.

"It could have been higher, but we were unable to service all the orders," he says. The company is a subsidiary of the US group Sarah Lee, the 33rd largest corporation in the United States with worldwide

THE SPIRA INTERVIEW

revenues of \$17,5 billion.

In South Africa, Sarah Lee owns three businesses — Kiwi (shoe polish), Playtex (hosiery) and Avroy Shlaim Cosmetics.

"Sarah Lee's management style suits me," says Shlaim. "When I was ready to sell, we'd been very successful. For 23 years, since the founding of Avroy Shlaim Cosmetics, we had never failed to grow year on year. We're now number one in skin care. In direct selling, if you add numbers two, three, four, five and six, it comes to half our turnover."

"I had received many approaches, but I liked Sarah Lee. They look at net sales, net profit, return on sales and return on investment. Other than that, they consider Avroy Shlaim Cosmetics as my business to run as I see fit. As much as 60 percent of my income is based on an incentive. If I bomb out I suffer financially. If I do well, I benefit — personally," says Shlaim.

Interestingly, he does not have control over all his company's products.

"We have such a good laboratory here that certain countries, among them China, Malaysia, Philippines and Mexico, sell our products and there, of course, I have no control over how they are sold. We supply the technical know-how and raw materials."

Avroy Shlaim Cosmetics is negotiating to build a new R25 million plant in Midrand. Its existing premises in Kramerville are too small.

Shlaim is fanatical about black economic empowerment.

"Many years ago we tested every member of staff for learning ability and education level. We then selected a group and put them on training programmes to raise their proficiency levels. A couple of years ago we repeated the exercise. As a result, blacks fill several very senior positions in the organisation," he says.

Nor does it stop there. Of the 14 000 people selling Avroy Shlaim Cosmetics products in the field, close to 20 percent are blacks.

"Black women are now at management level in sales and some are earning R10 000 a month. They buy stock from us, sell it and take a profit on that."

"A group distributor controls between four and 25 people and above her is an area distributor."

Worldwide, Avron, with revenues of \$4 billion a year, is the biggest direct-selling cosmetic company. Avron is about to enter the South African market.

Is Shlaim concerned? "Years ago, Sarah Lee committed herself to direct selling. So, in countries where Sarah Lee is now strong, enormous rivalry between the two companies exists."

"In certain countries Sarah Lee has outstripped Avron, which is out to get equal."

"One of the reasons they're coming in here could be to have a go at us."

"To head them off, we're getting our act into top gear. You could call it cosmetic warfare. Avon is going to spend a lot of money but I don't believe it will affect us negatively. I'm not concerned," he says. Shlaim is scathing about the poor efficiency levels in South

"We — and I am sure many other companies — could sell more if we had better service. There was a period when I was returning one in seven orders because of the inferior quality of packaging and raw materials."

"Admittedly, it isn't as bad as that now, and I must concede that the odd rejection came from foreign sources."

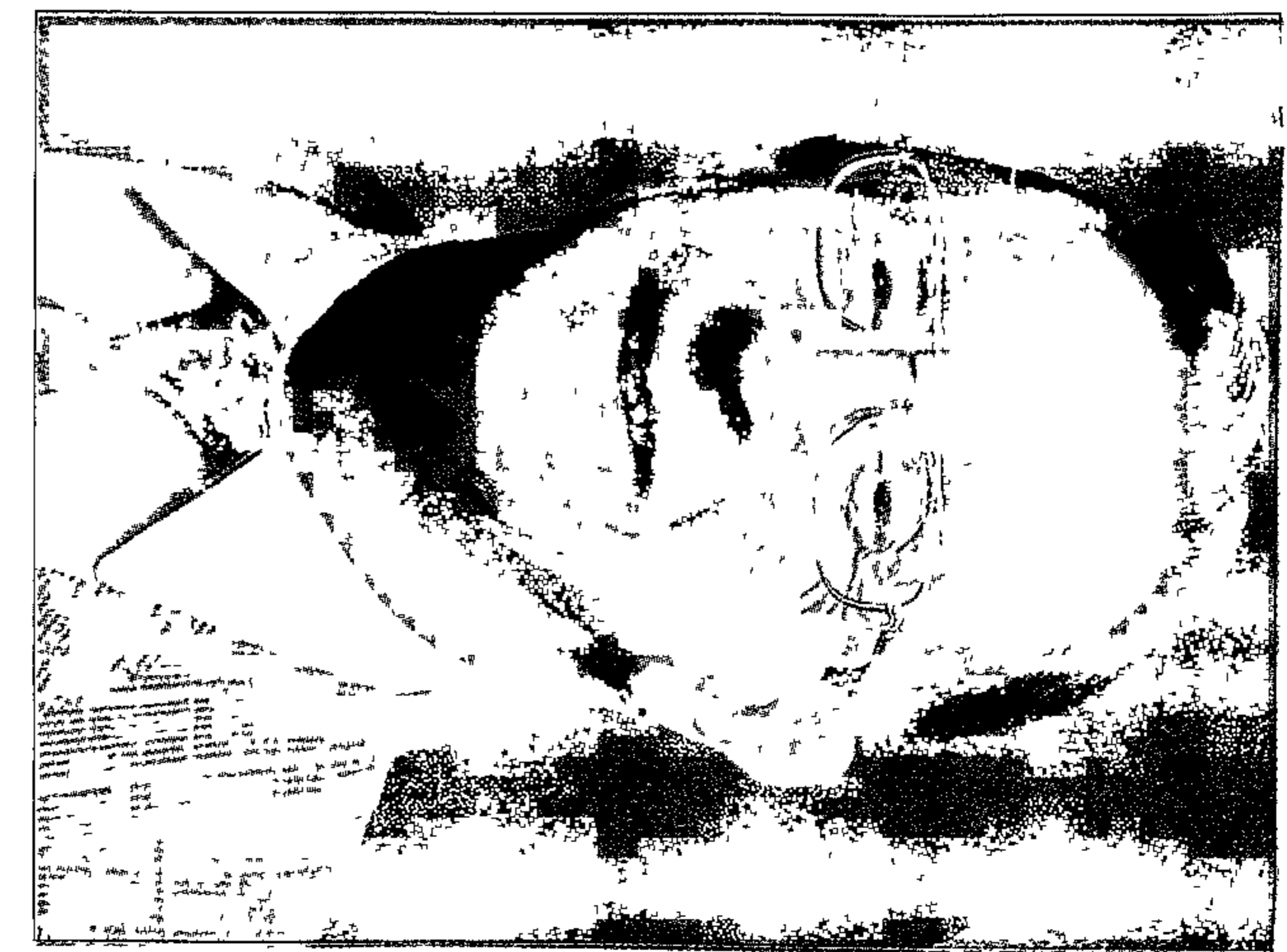
"Be that as it may, such a situation is unacceptable. It severely hampers economic growth."

Also acting as a drag on the economy is the impracticality of applying the just-in-time ordering processes so successfully employed in the world's advanced economies.

"South Africa boasts two tube manufacturers. A year ago, they said they weren't taking any more orders for calendar 1995."

"So if you manufactured a product that you put in a tube and you ran ahead of schedule, for five months you couldn't increase your production. We were having to import tubes from Israel and France."

"Talk of a just-in-time process in South Africa and you'll hang yourself. So I have to sit with R30 million worth of stock. If



PRETTY GOOD Avroy Shlaim is looking happy with annual sales of R200 million

South Africa was more efficient, we could hold a lot less stock and achieve enormous savings on investment, personnel and space," he says.

Shlaim characterises the market his company serves as "exciting" — not so much in the traditional white sphere but among South Africa's increasingly better paid and aspiring majority.

"There's a definite awareness in the black community that skin care is important. No one has looked at how to care for oily African skins."

"We manufacture products for that specific purpose and growing numbers of people are aware that we do so," he concludes.

Sale was opposed for 'ideological reasons'

Politics may have sunk Mossgas deal

By James Lamont & Jonathan Rosenthal

Johannesburg — Political obstruction appears to have scuppered the search to find a private buyer for the R12 billion Mossgas synthetic fuel plant

Last week the Central Energy Fund (CEF) and a ministerial task team announced that they had ruled out all of the estimated 12 local and international proposals for the private purchase of the oil-from-gas producer because they were unsuitable. Later the fund and the task team said that further opportunities might arise from the bids.

"The CEF will continue to pursue certain of the opportunities arising from the proposals through possible joint ventures and strategic alliances covering onshore and offshore assets," they said.

But a source close to the bid process claimed that the evaluation process was manipulated and that political obstruction to the sale of Mossgas had won the day.

The CEF was frustrated by interference from "people in different ministries who were second-guessing Mossgas," he said.

"There is a lack of transparency by the very people who profess to be most committed to it.

"If privatisation is going to work in this country, then the people involved at a political level will have to be more disciplined than they have been with Mossgas."

The source said negotiations had been undermined from the start by people who for ideological reasons did not want state assets to fall into private hands.

A finance ministry spokesman said the rejection was "not a back-track from privatisation, but a case of not finding the right buyer."

The source said neither the finance, mineral and energy affairs minister nor the trade and industry minister had studied the bids or been advised by the task team.

Roland Darroll, a spokesman for the mineral and energy affairs ministry, said that the former minister, Pik Botha, remained aloof

from the decision-making process because of the confidential nature of the bids. He said the decisions were made by government officials. The new minister, Penuell Maduna, had been shown a draft of the announcement but was not involved in the decision.

A spokesman for Gill Marcus, the deputy finance minister, said that Marcus was surprised that an announcement was made saying the bids had been rejected, but she was not surprised by its contents.

David Day, the chief executive of Mossgas, denied that ministers had been excluded, but he too claimed not to have seen the bids.

Day said the "market-testing" exercise was useful, because much research was done by the interested companies. Some of the companies could later enter into joint ventures with Mossgas, he said.

In the short term, Mossgas would continue to produce synthetic fuel because "this is the most profitable option in the meantime."

Humphrey Harrison, the managing director of Europe Energy Environment and a member of the task team, said the process had revealed Mossgas's market value. Potential bidders might have been deterred by the absence of a clear energy policy and the belief that the state was not willing to sell.

"Some of the bids were made of straw, others were no bid at all, other bids on the table didn't appear to have real money behind them, others (were) for peanuts, but a couple seemed to be interesting and are to be pursued," he said.

Analysts estimated that the sale of Mossgas could have raised R1 billion to R1,5 billion. Details of the bids will remain hidden from the public because they are governed by a strict confidentiality clause.

Colin McClelland, the director of the South African Petroleum Industry Association, said it was now more important to monitor and control expenditure on Mossgas. "The ball is now back in the court of the politicians and monitoring committee," he said.

CT(MR) 8/7/96 (183)

Rationalisation gains envisaged in pharmaceutical group merger

Jacqueline Zaina

ADCOCK Ingram's pending merger with Premier Pharmaceuticals is expected to lead to staff cuts of at least 20% — about 800 people — as the new entity seeks "huge savings", analysts say

Group CE Don Bodley said the two companies believed the merger would lead to rationalisation gains, though Prempharm CE Phil Nortier said it was premature to discuss the extent of the cuts

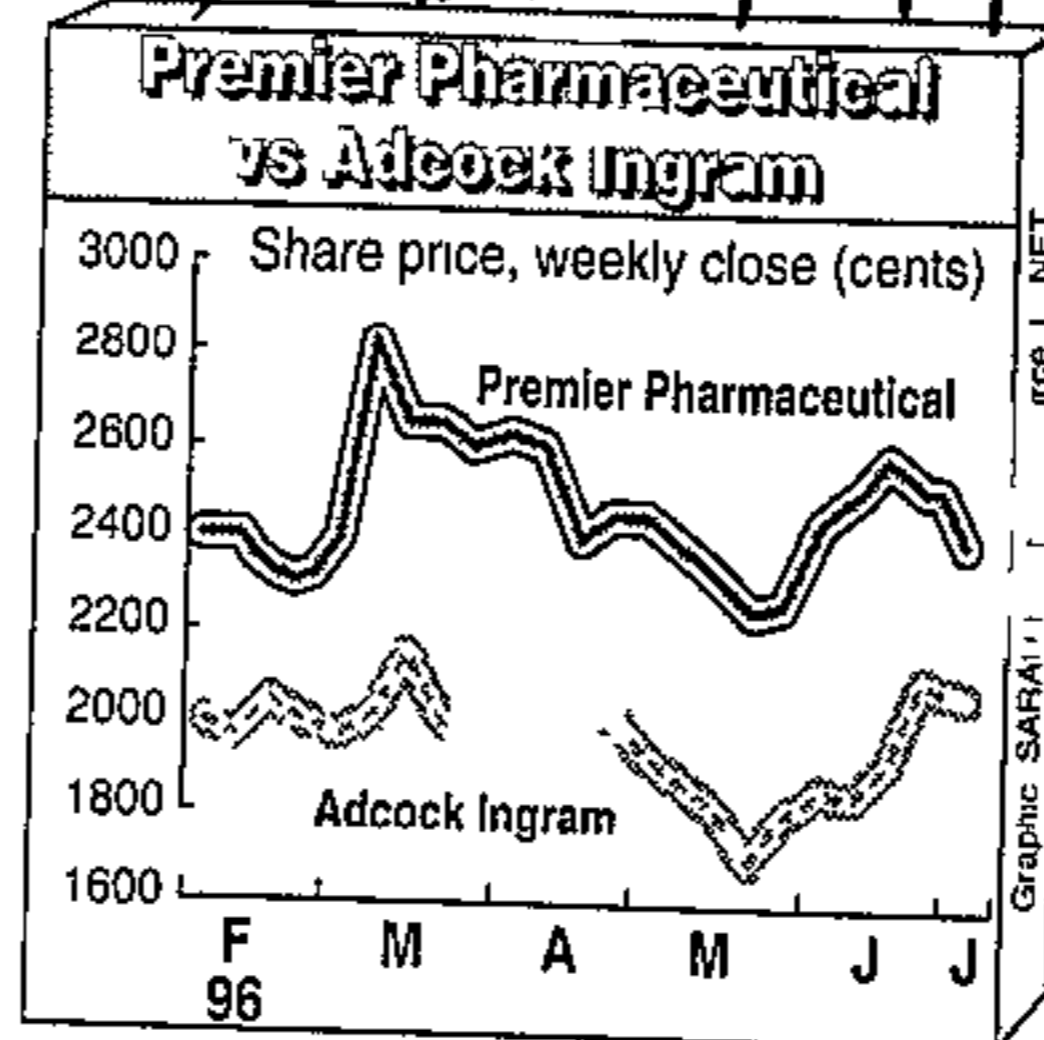
Analysts said the merged group was likely to follow international trends in trimming costs. Manufacturing capacity was likely to be cut and the marketing and sales functions streamlined

One analyst said "The merger is a staff-cutting exercise. The current level of production and distribution could be maintained on about 60% of the staff"

The groups are expected to unveil terms of the tie-up this week

Nortier said the merger made "a whole lot of sense" and would benefit them in the medium and long term. The companies would have about 4 200 employees

Bodley said rationalisation opportunities existed in manufac-



Unrelated to the merger discussions, Adcock Ingram had already begun cutting its Durban consumer health care division's manufacturing and ancillary services, which could affect about 250 employees. The benefits of merging would take time to filter through and any rationalisation required thorough investigation

An area in which the companies stood to benefit from the merger was the possibility that Prempharm could export to the UK, Australia and New Zealand

Prempharm lifted its headline earnings 16% to R142,9m in the year to April on turnover growth

of 4% to R663,2m. The company's core business, pharmaceuticals, generated 56,6% of turnover

It was capitalised at R2,75bn on the JSE on Friday

Adcock Ingram raised attributable income 20% to R70,1m in the six months to March, lifting turnover 5% to R591,4m. Its wholesale division contributed 36% of turnover, but only 4% of attributable income, with critical care accounting for 39% of earnings, pharmaceuticals 31% and consumer health care 26%. It was valued at R2,88bn on the JSE

SA Druggists CE Peter Benningfield said the merged competitor would be at an advantage in terms of its wider product offering

"In a market which enjoys one-stop shopping, there are advantages in having a wider product base," he said

The merged company would have a combined market share of about 15%, compared with SA Druggists' 11% of the medicines market, including self-medication and pharmaceuticals

"We recognise the merged company will be a formidable competitor, but we are working to ensure we do not lose market share"

Mossgas staff takeover bid is rejected

(183)
Robyn Chalmers

508/7/96
THE bid by Mossgas management and staff for the R12bn parastatal is among those which have been rejected by the Central Energy Fund and a government task team

Industry sources said the bid, from about 1 000 staff members and the company's management, fell short of government's requirements. The bid was initially thought to have been a strong contender.

Mossgas CE David Day was unavailable for comment.

Sources said that two bids, with local and international representation, looked promising. Discussions with the parties would start to reach some agreement on the scheme's future.

Central Energy Fund GM Kobus van Zyl said on Friday that none of the estimated 12 proposals had met government's objectives with regard to value, balance of payments and continued employment. The deadline for the bids was June 14. He said the ministerial task team would recommend that the fund retained control of Mossgas, which would continue to produce synthetic fuels in the medium term.

His statement was demed by industry and government representatives negotiating the proposed sale of Mossgas, who said no final decision had yet been made and the second round of talks could produce better results.

The fund's public relations agency Vallun Wilkins Associates later retracted Van Zyl's comments, claiming its press release had been issued without clearance. The mineral and energy affairs department said on Friday it knew nothing about the comments.

Early warning of bidders' lacklustre offers came last month when a consortium — Sentrachem, Sasol and AECI — pulled out of the bidding.

Mossgas valuation blow

Robyn Chalmers

(183) 50 9/7/96

LOCAL and international bidders for Mossgas had placed a market value of less than R2bn on the parastatal against the R12bn government has pumped into it, industry sources said yesterday

This was one of the main reasons behind the ministerial task team's plans to recommend to government that the Central Energy Fund (CEF) retain control of Mossgas — a blow to government's privatisation plans for the entity.

Other reasons outlined in a revised statement issued yesterday by the CEF were that none of the estimated 12 proposals satisfied government's broad objectives with regard to value, balance of payments and continued employment

In addition, no proposal met the objective of more effective use of Mossgas' onshore and offshore assets. The task team would recommend Mossgas continued with its core business of producing synthetic fuels in the medium term

"CEF will continue to pursue certain of the opportunities arising from the proposals through possible joint ventures,

and strategic alliances covering on- and offshore assets"

CEF also said Mossgas had made a net profit of R352m for the year to March. It said last week the auditor-general was still checking the figures

Representatives from the task team, government and CEF declined to comment further yesterday after a press release, issued on Friday outlining these proposals, was withdrawn as not all the involved parties had been consulted.

Mossgas human resources manager Silas Tlhophane said Mossgas had not been informed of the move, nor had Mossgas employees been told that their bid for an equity buy-in had been rejected.

Tlhophane said there had been strong indications the task team would recommend that government moved swiftly with an investment in the development of satellite fields. These fields were vital as Mossgas' developed gas fields are forecast to be depleted by next year

Government approved funds for further development earlier this year, but still needs to give the green light for the investment to go ahead

COMPANIES



Sacob economic policy director Ben van Rensburg, left, and director-general Raymond Parsons, right, released the chamber's monthly business confidence index, which can now be found on the Internet, at a news conference in Johannesburg yesterday.

Pictures ROBERT BOTHA

No SA market for Africa gas

CAPE TOWN — Southern Africa is not short of gas, with both Mozambique and Namibia sitting on vast deposits

But both countries face a dilemma in exploiting their reserves how to convince SA, the only big market for their product in the region, to use gas instead?

SA has enough cheap coal reserves to make any conversion to gas unviable at the prices presently being envisaged by licence holders in the gas fields.

Projects being mooted include gas-fired power stations on SA's east or west coasts. But SA does not need additional generating capacity for at least eight years.

Even then, analysts say, it is unlikely to want to buy gas from Mozambique's Pande field, backed by Enron Corp, or Namibia's

209/7/96 (183)
Kudu field, led by Royal Dutch/Shell, because of the high market-related prices envisaged

Some industry sources estimate the cost of generating electricity from gas could be three times higher than coal.

The SA government is coming under pressure from both neighbouring governments to force some kind of deal in a spirit of solidarity, even if this has costs to the SA economy.

One possible new market could open up if Petronet, the pipeline division of state-owned Transnet, gets its long-term vision for an extended gas grid linking SA's industrial areas with the Pande and Kudu fields off the ground.

Again, the cost of gas will be a crucial factor, while the project presupposes that Petronet will

continue its monopoly of SA energy pipelines. This monopoly has already ruffled feathers among oil majors operating in SA.

Petronet's plans to pipe gas from Sasol's Secunda plant to KwaZulu-Natal have upset companies such as British Petroleum and Shell, which have begun developing a market in KwaZulu-Natal for the excess gas from their shared refinery in Durban.

The proposed grid project, dubbed Laly, also appears to fly in the face of recommendations by the International Energy Agency that Petronet should not be allowed to continue its monopoly.

State-owned exploration company Soekor is considering a similar project, pumping gas from the Bredasdorp Basin near Mossgas to the Western Cape — Reuter

Mossgas bids 'will remain secret'

(183) CT(BR)10/7/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — The local and international bids for the purchase of Mossgas that were rejected by the Central Energy Fund and a ministerial task team last week should remain confidential, as they contained industrial secrets, Penuell Maduna, the mineral and energy affairs minister, said yesterday.

Maduna, who took over the ministry at the beginning of this month, said the bids revealed the bidding companies' long-term business plans and contained industrial secrets.

He said the bidders were entitled to their privacy and the fund had the obligation to protect that.

Rand Merchant Bank, handling the bids alongside stockbrokers Morgan-Grenfell, yesterday declined to comment on whether the bids should be made public. It is understood that interested parties have been given assurance of secrecy as a condition of the bidding process.

Last week, the fund and a ministerial task team rejected bids from the private sector to buy the R12 billion synfuel production plant, but said further opportunities in the form of joint ventures and strategic alliances might arise from the bids.

Maduna, who had not seen the bids, said that it would be wrong to think that the government was desperate to sell off Mossgas. He said this impression had determined the low prices



SECRETIVE Mineral and energy affairs minister Penuell Maduna

PHOTO JOHN WOODROOF

offered, believed to be under R2 billion.

The government was not satisfied with the private interest expressed in the plant, he said.

"No-one gave us a reasonable bid," he said.

Maduna said confidentiality was standard practice for privatisation tenders all over the world.

If the government made public details of its tenders, people would say the government was

not the right party with which to deal, he said.

The bids by private consortiums in the running for SABC's commercial radio stations were made public last month.

Maduna dismissed suggestions of political interference by politicians outside the appointed task team in the Mossgas sale process.

□ See Business Watch, Page 18

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Mossgas

still looking

for buyer

(183)

SOUTH Africa continues to explore ways of disposing of its troubled oil-from-gas producer Mossgas - but the reality is it will probably have to close, industry sources have said

"In fact, it might have to pay someone to take it off its hands," one source said, echoing the view of several others

The failure of the state-owned Central Energy Fund (CEF) to find a suitable buyer for the project highlighted the plant's lack of commercial viability and even plans to convert it for downstream petrochemical production "do not make sense"

This was reinforced by the withdrawal of AECI, Sentrachem and Sasol's joint bid last month because "the economics of the proposed methanol project were not sufficiently attractive to warrant further participation"

The three companies reached their decision after a detailed study, which suggested there was little scope for any other bid to be successful

The CEF said this week that although it had not found a suitable buyer, it would "continue to pursue certain opportunities arising from the proposals through possible joint ventures, strategic alliances covering on and offshore assets" - Reuter

Oil deregulation unlikely

Robyn Chalmers

THE long-awaited deregulation of SA's oil industry could be put on hold for at least another three to five years, a report handed to the National Economic, Development and Labour Council six weeks ago showed

Reuters reports that the report indicated government had been advised to retain the status quo in the industry for at least three to five years while a master plan was drawn up to reduce government's involvement

It said the report had been heralded as central to government's response to growing local and international pressure to ease its stranglehold of the industry, built up during the sanctions-bound apartheid era

The immediate future of Mossgas hinges on the Cabinet's final approval this month to invest a further R570m

in satellite fields which will extend its life to 2001.

However, analysts said its future after that would depend on whether the Cabinet was prepared to throw more money at the project which already had an estimated R12bn pumped into it since the mid-1980s.

A mineral and energy affairs spokesman said yesterday that final approval for the R570m and a further R360m to install compressor pumps in existing gas fields would probably be passed by the Cabinet.

The developments followed this week's announcement by representatives of the ministerial task team and Central Energy Fund that none of the estimated 12 bids for Mossgas met government's objectives. The task team and fund representatives were compiling a report on the bids which would be presented to the minister.

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STAY OF EXECUTION

FM 12/7/96
Government's reluctance to sell Mossgas deals a major blow to confidence in the privatisation process. Have vested interests been allowed to override good business? Granted that the bulk of the R12bn spent is sunk capital, it would have made good accounting to salvage even R1,5bn or R1bn — especially as a shut-down would mean an end to subsidies. In the 1994-1995 financial year, total assistance was R285m.

The decision to persevere with the production of synthetic fuel leaves in existence all the divisive issues associated with the venture. These include further amounts to be paid to Mossgas through the Equalisation Fund on the same basis as Sasol if the reference crude oil price (Dubai) drops below its latest level of US\$18/barrel. Under the accelerated schedule for phasing out the Mossgas subsidy, the price was already down to \$19/barrel in the first half of 1996.

But there has been a second subsidy to Mossgas — introduced to compensate oil refiners for any losses through their obligation to lift Mossgas's output at a time of local surplus. In that event, they would have been forced to export refined products, often at a loss. So the Equalisation

Fund — paid for by the motorist — provides for an additional payment to Mossgas should the In-Bond-Landed-Cost (IBLC) of liquid refined fuels exceed the so-called African Net-Back Price (the export reference price). In the period April 1 1995 to March 31 1996, this assistance came to R126m. The Central Energy Fund says these payments for Mossgas's petrol output have fallen away, but are still in force for diesel.

The fund confirms that the R910m required to install compression equipment and develop the satellite gas fields at Mossgas will be funded out of current cash flow. This figure "has been independently verified". The fund also announced that Mossgas recorded a net profit of R352m in the year to March 31 1996, but this includes assistance.

But what about cash flow before assistance? For the financial year ending March 31 1995, the operating surplus without assistance was R114m. Inclusive of assistance, the surplus was R517m (R62m better than budget). Hopefully, future surpluses without subsidy will prove to be robust enough to carry the entire additional cost of R910m. The 17% fall in the rand must have a major positive impact on future surpluses — as Mossgas receives an import parity price through the IBLC mechanism.

The 1994-1995 accounts show sales of nearly R730m. Assume that productivity improvements in 1996 add 5% to this figure, bringing it to say R765m. A 20% increment to rand prices through the fall in the rand would give a total for 1996-1997 of R900m. The surplus before protection could thus be R210m for 1996-1997 after allowing for operating expenditure of R650m. Over five years, this level of surplus might even be enough to fund the capex. This kind of projection is shaky, being dependent both on the value of the rand and the oil price. Mossgas says, naturally, it will continue to implement restructuring measures to increase efficiency.

If the expenditure of nearly another R1bn and the subsidies are taken into account, arguably SA might be better off through closing Mossgas next year, when the existing gas supply runs out.

The key to the decision to soldier on evidently lies in the fund's statement that the criteria set by the fund and ministerial task team for judging the bids for Mossgas included the influence on the BoP and continued employment. These criteria were evidently not met. SA could

yet pay a significant price in subsidies for preserving this shaky venture for a further five years ■

AMALGAMATED BEVERAGE INDUSTRIES

(182)
PASSING THE AMMUNITION

FM 12/7/96

The past two years have tested the mettle of Amalgamated Beverage Industries (ABI). The battle isn't over, but the smoke is clearing and ABI is still intact — bruised, certainly, but unbowed. "I believe ABI is in a position to rebut any form of assault," says chairman Mike Simms of the next clash, due in KwaZulu-Natal as Pepsi is launched there.

Though the dual onslaught — heavy

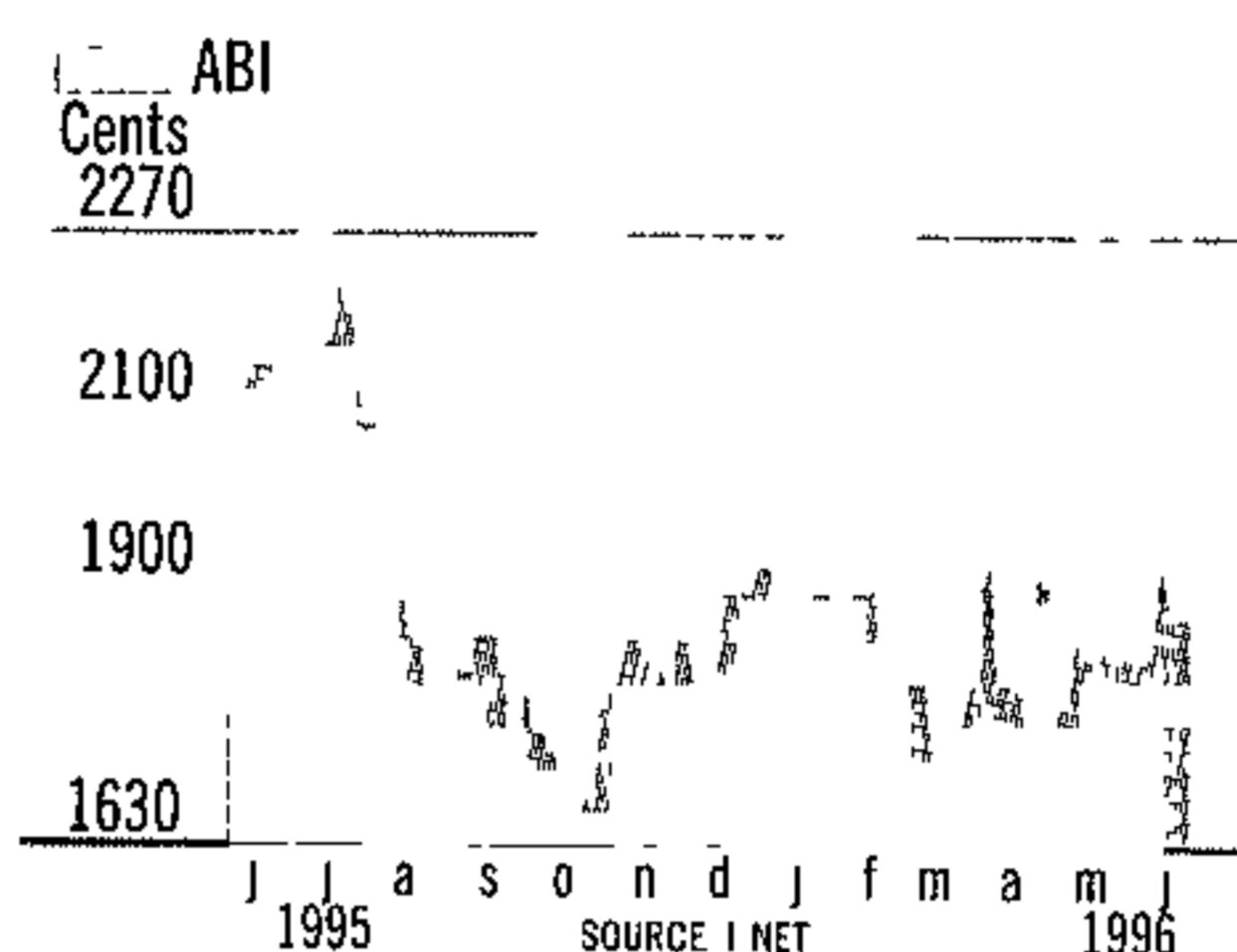
- **ACTIVITIES:** Bottles and distributes soft drinks in the Coca-Cola and Cadbury Schweppes stables under franchise
- **CONTROL:** SA Breweries 67,9%
- **CHAIRMAN:** M H Simms CE E T Odgers
- **CAPITAL STRUCTURE:** 109,1m ords Market capitalisation R2,02bn
- **SHARE MARKET:** Price 1 850c Yields 2,9% on dividend, 5,9% on earnings, p e ratio, 17,0, cover, 2,0 12-month high, 2 250c, low, 1 650c Trading volume last quarter, 1m shares

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	51,4	45,5	25,7	5,9
LT debt (Rm)	11,7	0,0	0,0	0,0
Debt equity ratio	0,05	n/a	n/a	n/a
Shareholders' interest	0,57	0,58	0,61	0,64
Int & leasing cover	22,6	n/a	n/a	n/a
Return on cap (%)	26,1	20,1	18,1	16,1
Turnover (Rm)	1 157	1 202	1 412	1 481
Pre-int profit (Rm)	153,0	148,3	165,1	151,1
Pre-int margin (%)	12,9	11,9	11,7	10,2
Earnings (c)	77,0	86,3	103,9	109,0
Dividends (c)	37,5	41,5	51,0	54,0
Tangible NAV (c)	322	405	524	550

competition from Pepsi and a dearth of consumer activity during the sodden summer — hurt both volumes and margins, ABI was still able to report turnover up 5% and attributable income increased by 7% to R118m, or 109c a share.

The external threats have concentrated management's collective mind. Simms observes that results owed much to "concerted effort in containing costs at all levels, together with distribution efficiencies, favourable supplier agreements and increased interest savings."

Cash flow of R180m for 1996 was strongly positive, allowing borrowings to be reduced by R26,7m after capital investment of R143m. Liquid resources of



R107m at year-end leave the balance sheet ungeared, just the in-depth it needs. Asset management was tight: inventories dropped slightly and debtors are well-controlled.

In short, ABI has cleaned house and is a leaner and more determined fighting machine. From this base, the group plans to engage the marketplace — partly by increasing capex, funded from cash flow, for developing specific markets.

Its R13,5m purchase last year of Can Vendors, which allows customers to buy from strategically placed vending machines, should improve sales volumes and help extend its customer base.

Net earnings from AB Canners were down 10% despite the rise in sales volumes, says MD Trent Odgers. A resolution is on the cards this year.

Closer attention to the needs of smaller and informal customers led to a broadening of the customer base, now 30 000-strong.

The share is trading at R18,50 on a p e of 17,0 and has hovered around R17-R19 for the last few months. Judging by the fundamentals, this looks like a good time to buy (and trust the rains stay away).
Margaret-Anne Halse

PHARMACEUTICAL INDUSTRY

ZUMA HOOKED ON VERICODE

FM 12/7/96

(193)

The pharmaceutical industry is in uproar over an attempt by Health Minister Nkosazana Zuma to "ram through" a system not yet tested for tracking drugs from manufacturer to customer

The Vericode symbol, as it's known, was developed by a Californian company and is used by Nasa to identify and track space shuttle parts. The licence for spin-off health applications in Africa trades as Verimed, and its operating company, Vericode Medical Systems, presented Vericode to Zuma as a solution to stem the annual R1bn-plus theft of drugs — 80% from government hospitals and warehouses

The system consists of a multidimensional digital mark that, if introduced, will be stamped on each of the estimated 18bn packets and bottles of medicine manufactured here each year. At a cost of R0,02 each, this would result in manufacturers paying R36m/year for the stamp alone. They will be colour-coded: green for government stock, black for private-sector, blue for export.

Zuma, it now emerges, tried to steamroller the system through in April this year. A draft regulation was prepared by professor Johann Schiebusch, registrar of the Health Department's Medicines Control Council (MCC). Instead of the usual three-month period for industry comment, Zuma invoked Section 35 of the Medicines & Related Substances Control Act, enabling her to promulgate the regulation immediately by publication in the *Government Gazette*.

However, a storm of protest — led by the Pharmaceutical Manufacturers' Association (PMA) — halted her momentarily in her tracks. And the industry, heaving sighs of relief, regarded the issue as being on hold.

Schiebusch now tells the *FM* that the regulation is to be "put out formally for comment within the next few weeks."

The Vericode system has been heavily promoted by the SA Police, notably by Captain Daan Davis, who is attached to

the Narcotics Bureau and also national co-ordinator for pharmaceutical investigations. Introducing Verimed to pharmaceutical companies, Davis has usually led the presentation team. Davis's son, Willem, works at Verimed as a technical adviser.

Interface Technologies MD Kobus van der Merwe has been working on contract to Zuma's department advising on new drug tracking systems. He is also a technical adviser to Verimed, a director of Vericode Medical Systems and a 25% shareholder in its managing company, Dunraven International Health Interface Technologies is one of Dunraven's oper-

port stock and control the grey (stolen stock) market. It was promoted by Captain Davis.

"The initiative came from high levels of the SAP, across the Health Department and into Zuma's office. Zuma leant on Schiebusch to get some draft regulations together, which he'd done the weekend before the April 30 meeting."

Glover says Vericode was the only firm mentioned at the meeting.

As for Verimed's claim that its Vericode system will control the distribution of drugs across SA, Glover says "That's where the whole thing falls apart technically. As an industry, we don't believe they have the capacity to handle the transactions that are going to come into the MCC's centralised computer system each day."

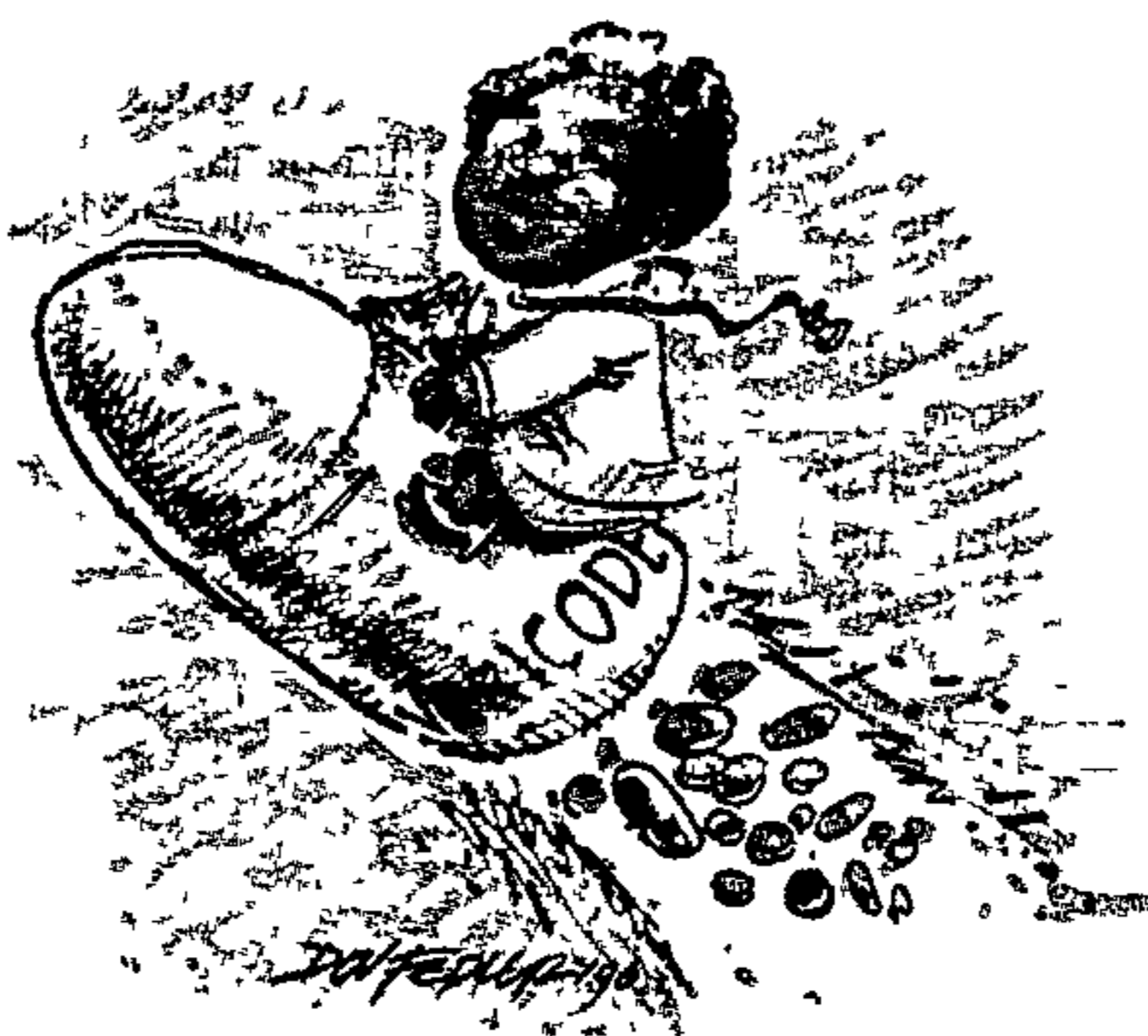
An emergency "Vericode meeting" attended by representatives of the National Association of Pharmaceutical Wholesalers and the National Association of Pharmaceutical Manufacturers was held at the PMA's Midrand offices on May 8. At the time, it was feared Zuma's regulation would be published in the *Government Gazette* two days later.

A confidential résumé of the discussions suggested that "broader intentions were very dangerous, that is, through a central database, government could establish rigid

control over business practices. If this were the case, it would imply that the intention of Vericode was not the prevention of theft but control of the private-sector market."

The SAP's Davis confirms he has been helping to present Vericode. "The only thing we're saying is that this is a system. We don't say go for the Vericode system, but it's an example of what we can do."

There is, it seems, an established alternative system. Holger Eckoldt, executive chairman of International Health Care (IHC) — sole distributors in SA for six multinationals, including Bayer, Ciba and Roche — says IHC operates a world-first batch tracking system using computers to



ating companies

Paul Glover, production director at Zeneca Pharmaceuticals and a member of the PMA's science and technology subcommittee, represented the PMA at a meeting called by the MCC's Schiebusch in Pretoria on April 30, when the draft regulation was first made public. Van der Merwe attended the meeting.

Glover describes the Vericode system and Zuma's plan to spring it on the pharmaceutical industry as "a debacle."

"My view is that they're trying to ram through a system that falls apart technically. The initial objective was the one essentially promoted by the SAP — to try to differentiate State, private-sector and ex-

R100m Mossgas bungle

MTG (POM) 12-18/7/96 (183)

A year and R100-million later, plans to sell Mossgas are back to square one, writes **Mungo Soggot**

THE government's failure to sell Mossgas — and the bungled announcement of the fiasco — has highlighted the political power struggle over the fate of the synthetic fuel producer. The struggle may have cost the taxpayer over R100-million the past year. Superficially, the botched announcement of the failed sale was about a lack of communication among the plethora of state officials monitoring the sale — or a "funny farm", as one senior state oil official put it.

But the botch was in fact the latest of a string of examples of competing factions in government using Mossgas as an expensive political football.

A senior official in the Mineral and Energy Affairs Department, two members of the Ministerial Task Team (MTT) and two members of the Central Energy Fund (CEF) agreed the announcement had been botched and that it should not have come from the CEF — it should have come from Mineral and Energy Affairs Minister Penuell Maduna.

Recent events have bolstered the view that the Mossgas sale process was to a large extent a sham — that many of those involved never intended to sell it, but instead used the chance of a sale to justify a call to Cabinet to spend R850-million on a life-lengthening expansion.

Some of the anti-sale team have suggested that when the government gave the green light to a sale in December last year, it in fact had only given authorisation to "test the market" and a sale was not on the table. Such comments make it unsurprising that, as a senior state oil official says, there were no companies "waiting with big fat cheques".

Mossgas's history is studded with long delays by politicians over crucial decisions about the plant's future. Former mineral and energy affairs minister Pik Botha and other politicians involved with the industry made clear their fear of choosing whether to sell, scrap or expand the plant.

It is estimated the delays over expanding the plant have cost Mossgas R40-million in operating profit and added R60-million to the R850-million it will now cost to expand it.

This procrastination has been accompanied by a hefty outlay on consultants. The Mossgas monitoring panel — advisers hired to investigate the feasibility of expanding the project — alone cost R6,5-million.

The army monitoring the Mossgas sale included the MTT — four civil servants and advisers from the Mineral and Energy Affairs, Trade and Industry and Finance departments — the CEF, the monitoring panel, a merchant bank and an international energy specialist. Somewhere on the fringe lurked Botha.

The press release announcing the failure was not regretful, but contained more than a hint of relief that the hi-tech fuel from gas operation could remain in state hands.



Penuell Maduna: Tough first week in the new job

PHOTO RODGER BOSCH

However, it was not a case of the CEF hijacking the process. For although there have been suggestions that the CEF is keen to hold on to Mossgas to preserve its empire, it appears the struggle is not between the old-guard sanctions-buster and the new government. Instead, it seems to be between a faction in the new government that is not keen on relinquishing control of Mossgas and one that is.

The head of the anti-sale faction and part of the MTT is Paul Jourdan, special adviser to the trade and industry department. He has grand plans for a substantial state role in the South African fuel and petrochemical sectors.

It appears the MTT was unanimous that none of the bids passed muster. However, senior officials involved in the sale believe the apparent fight in the government over whether or not to sell Mossgas discouraged buyers — in particular the *troika* of South African chemical companies, Sentrachem, Sasol and AECI.

And it has been argued that the criteria used to judge the bids made a sale virtually impossible, backing the argument that the process was a sham.

Little has been said about how the bids were judged. The press release declared the bids did not satisfy the "objectives in regard to value, balance of payments and continued employment, or provide for a more effective utilisation of Mossgas assets".

It appears many of the Mossgas

sellers were bent on the impossible task of selling it to a company that would continue to keep it running as a synfuel plant, resorting to the Sasol argument that synthetic fuel saves South Africa foreign exchange. Hence the inclusion of a "balance of payments" criteria for the sale. There are, however, few companies outside South Africa with synfuel expertise, suggesting again that there were some involved in the sale who did not expect to see it go through.

If there were such strong arguments against selling it, why hire merchant banks and other advisers at huge cost — unless it was the only way of persuading Cabinet to authorise more capital expenditure. Mossgas's gas reserves are expected to be completely depleted next year. The expansion will give it five more years, but the longer the wait the more expensive it becomes.

Some analysts argue it might even have been worth giving Mossgas away just to free up the hundreds-of-millions in subsidies poured into it every year.

The botched press release was an appropriate finale. It came from the CEF, and not from government which took until Tuesday to say anything. The MTT asked the CEF to make the statement. An unapproved rough draft went out on Friday, July 5. It was retracted, checked by the MTT, and sent out again on Monday.

There is a chance that the CEF will consider joint ventures and strategic alliances arising from the bids — arguably not enough to make up for

Oil report is 'damp squib'

Lynda Loxton

THE grand-scale fudging of issues to protect sacred cows in the oil industry continued apace this week with the release of the long-awaited Lambrechts report on deregulation.

The report advises the government to retain the status quo for at least three to five years, while the already over-researched industry is again studied and a master plan drawn up to reduce the government's involvement.

The report, by Izak Lambrechts of the University of Stellenbosch, had been touted as central to the government's response to growing local and international pressure to loosen its stranglehold on the industry, built up during the sanctions-bound apartheid era.

Commentators have expressed serious misgivings about the fact that yet another report on the oil industry has recommended yet another study into the pros and cons of deregulation.

Particularly contentious issues are subsidies to Sasol and Mossgas, the monopolies enjoyed by Petronet and Soekor and the role of the Central Energy Fund and Strategic Fuel Fund.

Pick 'n Pay group enterprises managing director Gareth Ackerman said he was now "very seriously" considering approaching the Constitutional Court about continued delays in deregulating the industry.

Deregulation had been widely expected to involve allowing supermarkets to sell petrol at discount prices as well as doing away with a wide range of other controls over the sale, distribution, storage and exploration for petroleum products.

"We are re-looking at our options and one of them may well be a challenge in the Constitutional Court," Ackerman said.

South African Petroleum Industry Association (Sapia) director Colin McClelland agreed that it was disappointing that the report, though stressing the need for deregulation, had not recommended a shorter time-frame.

But, he said, the petroleum industry could not support deregulation while Sasol still received subsidies from the government — and they would be in place until at least 1999.

Mineral and Energy Affairs Minister Penuell Maduna was not available for comment, but some officials agreed "the report is a damp squib".

.....
the fact that Mossgas is exactly where it was two years ago.

Many industry officials and commentators believe the affair has shown that a decade after former state president PW Botha made one of the National Party's most incompetent economic decisions by authorising the R11-billion splurge on the Mossel Bay white elephant, little has been learnt.

Oil deregulation is bogged down

Reinie Booysen

GOVERNMENT attempts to deregulate the liquid fuels industry was unlikely to be finalised before early next year, the minerals and energy affairs department said yesterday.

It said the government draft white paper should be completed by September, but the final draft to be tabled in Parliament was expected to be ready only next year.

The department's chief director of energy, Johan Basson, said even then the white paper could leave some of the most crucial and contentious policy decisions unresolved. "Instead of actual decisions, we may only articulate a process to decide on certain policy issues," he said.

In the meantime, the government's hand could be forced by World Trade Organisation (WTO) deadlines to end restrictions on

oil product imports, according to a report submitted to the National Economic, Development and Labour Council's (Nedlac's) liquid fuels industry task force.

WTO regulations called for the prohibition on oil product imports to be scrapped by 1998. The call could seriously undermine the existing oil industry regulations

These had kept oil product retailing in the hands of the small group of existing oil companies, and protected them from the dangers of cheaper imports

Several parties to the Nedlac deliberations on the future of the oil industry suggested government apply to the WTO for an extension of the current exemption from the regulations against import restrictions.

There was general consensus that government's involvement in the liquid fuels industry should be maintained for at least three to five years.

BD 12/9/96 (183)

R24m grant for new drugs policy

ANEEZ SALIE

HEALTH WRITER

LOCAL efforts to get to grips with the lucrative, billion-rand pharmaceutical industry have received international support

Health Minister Dr Nkosazana Zuma said at the weekend on her return from a visit to Canada and the United Kingdom that the World Health Organisation (WHO) and Britain had agreed to provide expertise and a R24-million grant to help South Africa sort out its drugs policy

In terms of current practice pharmaceutical companies have vir-

tual carte blanche in supplying any number and quantity of drugs to state institutions, albeit on tender. A monopoly ensures that cheaper, generic equivalents are often not supplied. Only about three, huge multinationals control the entire R2-bn industry

Sensitivity around the issue surfaced recently in the wake of the Sarafina 2 scandal when President Nelson Mandela rejected widespread demands for Zuma's dismissal, citing powerful forces ranged against the government's National Health Plan, of which a vital part was an Essential Drugs List (EDL). Such forces were

apparently bent on getting rid of Zuma, who has championed an EDL.

Mandela warned however, that drug companies should be tackled with caution because they controlled the supply of vital drugs

The list would contain only about 300 drugs which state health facilities may purchase only at set, discount prices. The government is also looking at cheaper supplies from countries previously excluded because of sanctions, such as India

On her return, Zuma said the British government would also provide R12,5m to teach health trainers at provincial and national levels.

CT 15/7/96

(183)

International grant for SA drug policy

HEALTH Minister Nkosazana Zuma said on Saturday the UK and the World Health Organisation had agreed to provide expertise and a £3,5m grant to help SA in its recently launched drug policy

"The project will discuss the distribution, pricing and provision of pharmaceuticals and help South Africa's understanding of this process," she said on arrival from her visit to Canada and the UK.

The UK government had agreed to

provide £1,8m for a training project to pass on skills to medical practitioners at provincial and national level.

She had also discussed exchange programmes between SA, Canada and the UK.

"A specific programme to train nurses in eye care has been established to enable nurses to train others in improved health care.

"They will receive a grant covering all their expenses and tuition," Zuma said. — Sapa

Bitumen demand boosted by projects for new roads

Reinie Booysen

DEMAND for bitumen — a by-product of crude oil refining used to tar road surfaces — is showing signs of recovery after years of decline, latest figures from Central Statistical Services show

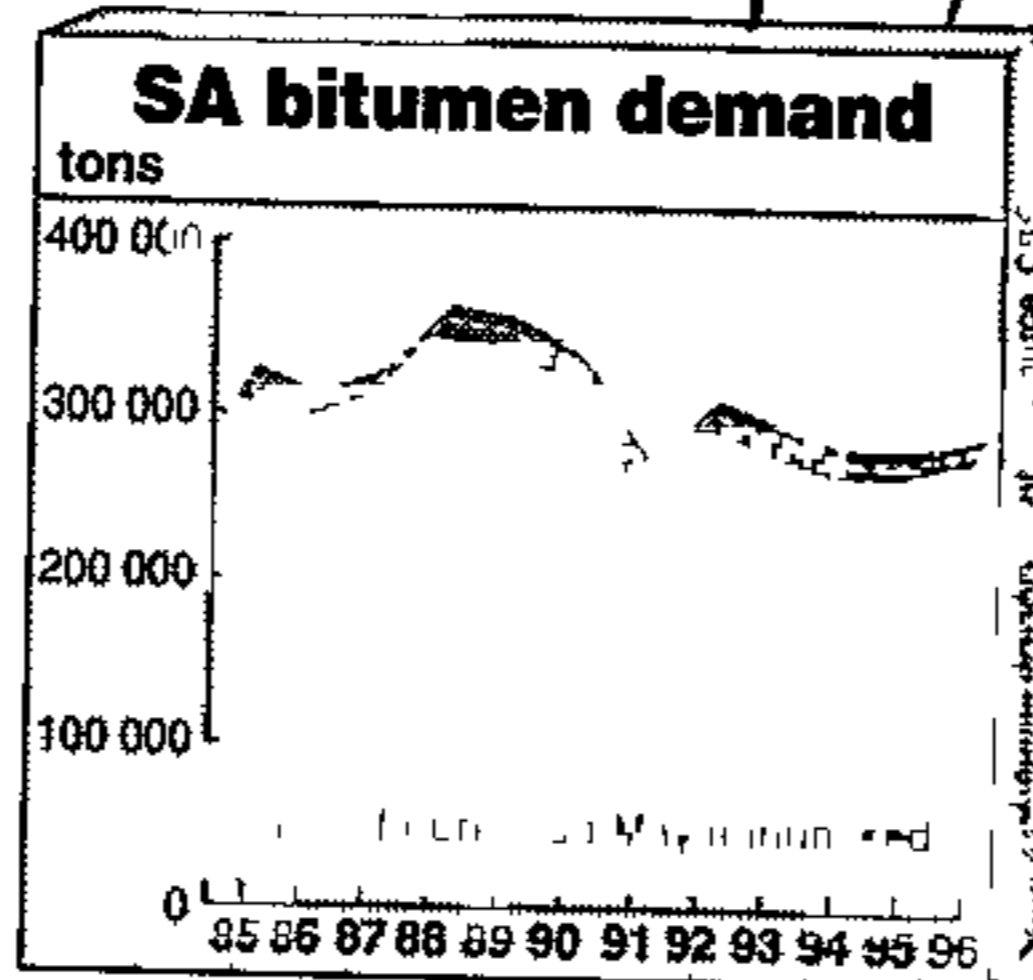
But the latest bitumen demand figure — a strong barometer of road-building and repairs — remained unhealthy, executives involved in the road-building and repair industry said

The latest figures for the year-to-date showed that about 109 000 tons of bitumen were used from January to May, an increase of about 4% against the previous comparable period

Market analysts said most of the growth, however, was due to the newly-built road sector. They said demand for bitumen to repair existing roads remained slack, although this could change over the next year or so

Among the major new-building projects topping up the SA bitumen demand this year are the N2 in Kwazulu-Natal and the Pietersburg toll road in the Northern Province

Road industry executives said SA's road network had been badly



neglected in the early 1990s.

At a recent conference, Transport Minister Mac Maharaj estimated a shortfall of about R1,8bn in road funding

"In the absence of political will, roads have been on the back-burner for a long time," said Dave Orton, chairman of Colas, a Murray & Roberts' group company specialising in road surfacing work

This meant that if action was not taken soon on SA's increasingly dilapidated road surfaces, the cost of repairs was going to mount exponentially.

Orton said the condition of SA's roads might have been even worse now if it had not been for the severe drought of the early 1990s

Now that the rains were back, the issue was fast becoming critical, and road industry executives said they sensed a change of sentiment in government. One good sign was a recent proposal to Parliament by Maharaj to add an extra 6c a litre to the fuel price over the next two years to help pay for road maintenance.

"The public reaction to the minister's proposal has been remarkably muted, reinforcing our belief that there is general acceptance of the need for increased spending on road repairs," said Orton

He said the need for adequate roads was gaining political recognition as being fundamental to the development of the economy.

One of the major holdups was that the authorities in many provinces had yet to get their delivery structures up and running

The Eastern Cape, Free State and Northern Cape provinces appeared to be among the least organised in this respect.

Orton said that if the politicians moved swiftly, the major bitumen suppliers — bitumen is a by-product of oil refining — could see demand rise by about 10% next year, according to Colas CE Paul Norton

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Death prompts calls for fire probe haste

JENNY VIALL
Health Service

(183)

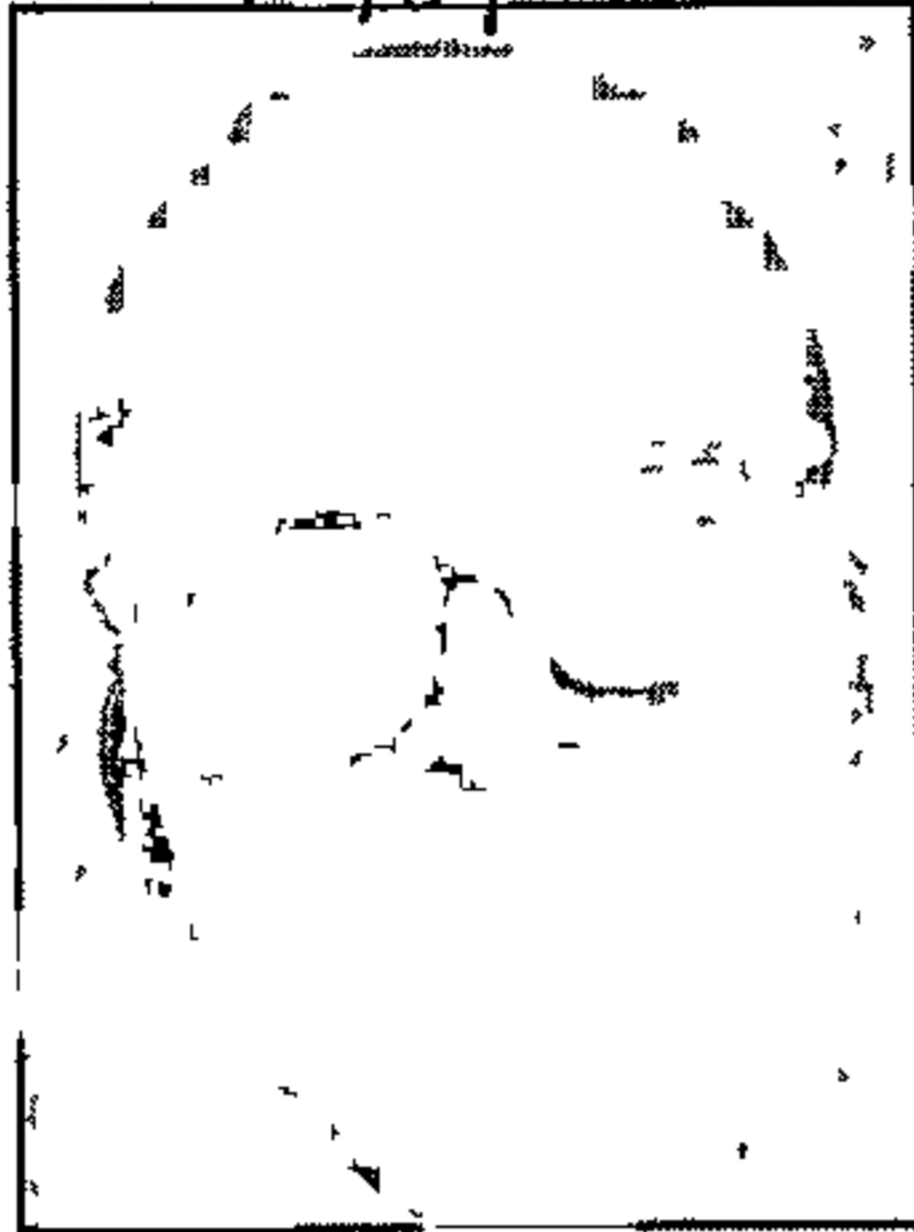
ARG 16/7/96

THE death of a Macassar man has led to calls for speeding up the inquiry into last year's sulphur fire at the nearby AECI site.

Neville Organise, a pastor at the Algemene Pinkster Church, died in hospital last week after two heart attacks which his wife believes were the result of his weakened condition following smoke inhalation during the sulphur fire.

The Macassar Disaster Action Committee has expressed concern at Mr Organise's death and has asked that the commission of inquiry appointed by the cabinet on July 14 begin its investigation and not waste any more time in protecting the community's rights.

Freda Organise said her husband had heart problems for many years but was able to live



Neville Organise

normally until after the fire last December. He was admitted to hospital on December 17 after inhaling sulphur dioxide fumes from the fire which led to the evacuation of the Macassar community. Two brothers with asthma died after the fumes engulfed Macassar.

Mr Organise was discharged

from hospital, but was never the same, said Mrs Organise. He was short of breath, couldn't sleep at night and had a continuous cough. He had a lot of mucus on his chest and had to have an asthma pump, she says.

Mrs Organise believed that her husband's heart was weakened by the strain of constant coughing and struggling for breath.

A doctor at Groote Schuur's respiratory clinic who treated victims of the fire said that, although he had seen Mr Organise and had written a report for AECI insurance purposes, he did not know he had died and could not comment.

AECI general manager Bertie Humphries said that his company, although not approached formally by Mr Organise's family, would do all it could to help.

"We're trying to establish what happened and will do what is necessary," he said.

Govt overpaying oil firms for jet fuel

Reinie Booysen

THE state is grossly overpaying for jet fuel used on military and commercial jets, adding an estimated R21m a year to the cost of flying military and government personnel around SA, a Business Day investigation has shown. At present, prices agreed to with private oil companies by the State Tender Board are only about 25% to 35% above the historically high prices at commercial airports. Over the past

three years, however, the disparity has, on occasions, been as high as 90%.

On average over the past three-and-a-half years, from 1993 to May 1996, the price paid to Air BP for jet fuel delivered to the air force's largest base, Waterkloof, at 110c/l excluding VAT, was about 43c above the commercial equivalent of 77c at nearby Johannesburg International Airport.

Using this as a yardstick, the state

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Jet fuel (183) BD 16/7/96

Continued from Page 1

would save about R21m a year nationally if it bought all its jet fuel at commercial airport prices. The state last year paid R72m for jet fuel, but the exact volume purchased is unclear.

However, on June 1 a new contract came into force at Waterkloof, raising the price paid to Air BP to 122c/l. This is 28% above the estimated 95c/l paid by commercial airlines at Johannesburg International Airport.

Air BP manager Ron Taylor said yesterday the higher prices paid at Waterkloof were partly due to the high cost of tankering the fuel from BP's Durban refinery to Pretoria. He said Air BP paid about 16c/l for road or rail freight to Pretoria.

In Durban, however, 2km from the BP refinery, the state is paying Air BP 112c/l, excluding VAT, for jet fuel. Taylor said the higher price there was justified by the lower volume purchased, and the fact that Air BP provides fuller services, moving the fuel all the way to

the aircraft wing. In Pretoria, it delivers the fuel only in bulk, he said.

The state buys all its jet fuel requirements in SA from four companies — BP, Shell, Caltex and Engen — in terms of State Tender Board procedures. At present prices range from 105c/l, excluding VAT, paid in Port Elizabeth to Shell, to 138c/l, excluding VAT, paid in Upington to Engen.

Last year, the average "into-wing" price at Johannesburg Airport, excluding VAT, was about 75c/l, in 1994 it was about 72c; and in 1993 73c. This year, high international market prices and the devaluation of the rand have lifted the average to about 95c/l.

International airlines flying to Johannesburg have complained for years that prices at the airport are artificially inflated, in view of the tightly regulated market structure. Prices are set on the fictitious assumption that the fuel is imported from Singapore or the Middle East, shipped all the way to Durban and piped to Johannesburg. In fact, it is mostly manufactured at the Natref refinery, owned by Sasol and Total, or at the coastal refineries in Durban and Cape Town.

R400-m oil

deal 'soon'

(183) *Sowetan* 17/7/96

By Mzimkulu Malunga

Sasol and Engen talking business

A deal worth R400 million will be struck between Sasol and Engen in the next few weeks, it is believed.

The deal is expected to be announced by the end of the month. It will involve the sale of a 20 per cent stake in Engen to Sasol.

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Leaked the news

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Airports Company in row with fuel firms

18/7/96 (183)

Reinie Booysen

FUEL suppliers at Johannesburg International Airport could be kicked off the premises next month over a dispute concerning liability for potentially massive environmental damage.

Oil industry executives said yesterday they feared there could be as much as 1-million litres of spilled jet fuel lying beneath the airport's concrete apron, which has accumulated over several years.

The Airports Company, which operates all SA's major airports and is included in government's privatisation drive, wants the suppliers to take responsibility for future spills. But the suppliers said this could also leave them responsible for existing damage, which is difficult to identify accurately.

The Airports Company has terminated the oil companies' land leases, covering their jet fuel storage depots, in a bid to pressure them into accepting

its terms. When the six months' notice period expires at the end of August, the companies' operations could effectively come to an end, unless a new agreement is reached.

The oil companies have also been told their leases will be renewed on a monthly basis, and the Airports Company is investigating bringing in new fuel suppliers, possibly from overseas.

"If the oil companies don't want to come to the party, we'll find someone else who is able to supply fuel in a responsible way," Airports Company GM of airport services Piet de Jager said. "We've had approaches from overseas people. We could bring in a new operator, or even keep one or two of the existing operators."

The oil companies are also resisting an attempt by the Airports Company to increase land rentals, on top of a new "right to trade" fee of 1,72c/l on jet fuel.

Continued on Page 2

Fuel

(183)

Continued from Page 1

sales by oil companies. This is also being challenged by the major airlines operating at the airport, in a complaint to the transport department's airports regulator. The oil companies have given notice that the fee will be passed on to the airlines.

But the Airports Company says the companies make such good profit out of jet fuel sales that they should be able to absorb the new and increased imposts

without affecting charges paid by the airlines for fuel. The oil companies dispute this, and argue that it is standard in other parts of the world to pass the "right to trade" fee on to airlines.

"We do think we can come to some agreement; the only question is on what terms," a source said yesterday.

Airports Company group manager of airport services Andy Kamfer said yesterday that he had no comment to make on the claims.

However, he said: "We believe a new dispensation will be agreed to which will allow greater competition and benefit all stakeholders at the airport."

PERCEPTIONS COUNT

FM 19/7/96

Despite significant restructuring and diversification, the share price is still displaying the volatility of a cyclical counter. There has been a 31% swing from the R28,75 high of a year ago to November's low of R19,75. Overall, the share has lost nearly 24% over the past year to R21 earlier this week.

What's puzzling is that, on fundamentals, prospects don't look bad. Earnings forecasts have generally been revised upwards since the poor start to the year and average around 18%-20% EPS growth for the full year to December, though at least one analyst believes that AECI could be hard pressed to show real earnings growth.

There will be some indication in just over two weeks when MD Mike Smith presents the company's interim results. The market is expecting a lacklustre performance — the share has lost R4 in the past month — though the downrating may have more to do with AECI's high level of debt or, more specifically, its failure to deal with its debt.

At year-end, AECI's gross debt stood close to R1,6bn, gearing of about 54%. Net debt is believed to have declined to around R1,4bn, still high for a group which wants to expand and has its eye on some interesting investments.

But debt's not really a problem, as AECI has significant assets to place, namely its 50% holding in Afex, which

through a circular investment means AECI effectively holds 25% of itself.

When preliminary results were released in March, AECI indicated it would seek to place its holding in Afex with local and foreign investors. The stake was then worth about R900m, which could have cut debt to a reasonable level and freed up funds for further projects.

News of the planned global placement was well received, pushing the share price close to R28.

But nothing has happened. Why?

Finance director Neale Axelson obviously can't say much with interim results around the corner. But he does point out that AECI gave no indication of a timetable for the placement when it was announced. "We said we were exploring the option of a global placement, and we continue to do that," he says. That might be so, but expectations were that it would take place sooner rather than later.

The sharp decline in the value of the rand in late February was obviously a factor, scaring foreign investors as short-term capital fled SA and causing general wariness of the local market.

Lack of direction and some nervousness on the JSE has also played a part.

But with the decline in AECI's share price, the Afex stake has lost nearly R100m and is now worth about R812m. At that level, AECI could well be reluctant to sell the holding. But it then faces the prospect of a vicious cycle, with high gearing negatively affecting investor perceptions and keeping the share price down.

At some stage it might be forced to cut its losses and sell its stake in Afex for less than it's worth. That, at least, would release capital and allow it to get on with the ambitious capital spending programme it plans for the next two years, focusing on fertilisers, fibres and biotechnology.

A good set of results, however, could reverse the downward trend of the past three months. Next month's half-year results are therefore particularly important.

Fertilisers should come through strongly after good summer rains and



Mike Smith

strong growth in the agricultural sector, and recent indications from joint venture Polifin — which accounts for about 40% of AECI's income — have been bullish, anticipating gradual firming of world polymer prices.

Fibres, though, aren't expected to shine as the industry battles with lower tariffs and cheap imports. Explosives will probably also be flat, still tied largely to the local mining industry.

There has been a concerted exports push, though, worth about 16% of turnover of R6,6bn at

year-end. This is where AECI will derive some benefit from the weaker currency.

At R21, the share must be considered cheap, even though it has a speculative element. The problem is how soon it will regain value — and this is where AECI must make a decisive move on improving its debt profile. Shaun Harris

More Mossgas aides revealed

MHC (BEM) 19-26/9/96 (183)

Mungo Sogot

CLAIMS that the Mossgas sale was an expensive botch were bolstered this week after it emerged that yet another consultancy was hired by the government at the last minute to help manage the process.

Officials have confirmed that British consultancy Chem Systems was recruited to evaluate bids for the troubled project in the final stages of the "market testing" exercise — despite the fact that the government had appointed a team of merchant banks and other advisers in January.

Rand Merchant Bank, Deutsche Morgan Grenfell and consultants Arthur D Little were hired shortly after Cabinet decided to "test the market" for the synthetic fuel operation, which has cost the taxpayer about R12-billion so far.

The government and the Central Energy Fund, which pays the bills, have so far declined to say how much the team cost.

It is understood that Chem Systems was brought in by Paul Jourdan, special adviser to the trade and industry department. Jourdan, who is on leave, is known to have been wary of selling off Mossgas. He was a key member in the government team running the sale. Chem Systems is also doing other work for Jourdan on the petrochemicals sector. It is believed that, as with the other merchant banks and advisers, their appointment did not follow a tender.

Chem Systems is one of the host of consultancies that has analysed the Mossgas dilemma in the past three years. The king of the consultants has been the Mossgas monitoring panel, which earned about R6,5-million

so far. The panel included representatives from Arthur D Little and KPMG. The monitoring panel's main job was to determine whether or not it was a good idea to expand Mossgas by tapping new gas fields.

It swiftly became embroiled in the notorious politicking surrounding the project and wound down its role in the run-up to the government's decision to try to sell Mossgas.

Those in the government who are now happy to see Mossgas remain in state hands are banking on the hope that there are more gas fields in the Mossel Bay region that can be tapped — in addition to the R910-million "satellite" fields that will shortly be linked up to the onshore plant.

Ironically, it was a similar belief that gave Mossgas its status as one of apartheid's greatest white elephants.

Former president PW Botha's design team built the plant on the assumption that there were considerably larger gas reserves than the United States experts had calculated.

The government spent the past three years procrastinating over whether to sell Mossgas, scrap it, or expand it. Towards the end of last year former minerals and energy affairs minister Pk Botha persuaded Cabinet to authorise him to "test the market". Some in the government interpreted Cabinet's decision as a green light to sell. Others maintained it was merely a "market testing" exercise to help the government shape its thoughts on what to do.

But the merchant banks and consultants were hired and several bids were made. Two weeks ago, the government task team overseeing the sale agreed none of the bids passed muster amid strong rumblings that bidders had been put off by conflicting signals from the government over whether or not a sale was on the cards.

Engen officer tailored jobs to favoured applicants, court told

ANDREW SMITH
Staff Reporter

(183) ARG 19/7/96

AFFIRMATIVE action favouring blacks at Engen was implemented subjectively, without a manager even bothering to interview all applicants on the shortlist - and job criteria were drawn up afterwards to suit the favoured applicants, the Industrial Court was told yesterday

This was evidence heard in Cape Town in the dispute between Engen Petroleum and two white former employees, dismissed on affirmative action grounds

Engen's human resources general manager, Mpumelelo Tshume, spent a third gruelling day under cross-examination on the company's affirmative action policy.

According to the company's restructuring policy, revealed at the hearing, if there was no suitable candidate within the company, an affirmative action appointment could be made from outside. A process of consultation was to be adhered to should an employee's position come under threat

Earlier the applicants, Lani Martini and Tim Overett, said Engen had ignored their superior qualifications when filling new positions with people from outside the company

Yesterday, the court heard that the consultative process, in which grievances were meant to be heard and compromises sought in cases of dismissal, was dysfunctional

Counsel for the applicants argued that Mr Tshume acted

entirely subjectively in appointing people to vacant posts without consulting placement panels. Evidence was heard that Mr Tshume ignored such measures, appointing people to positions first and then drawing up job descriptions to favour them

"I knew exactly what I was looking for. The job description is just something to be put on the record," he said

Counsel for the applicants contended that the striking similarities between a certain candidate's curriculum vitae and the job description, finalised after the position was filled, suggested that Mr Tshume had created jobs for individuals

Mr Tshume argued it was not practical for him to interview the candidates on the shortlist. The hearing continues today

SATURDAY NIGHT

**R910-m allocation will keep
Mossgas on the bubble**

Cape Town – A cabinet decision to allocate R910-million to Mossgas was confirmed yesterday by the company's chief executive Dr David Day. This means the company can go ahead with the exploitation of satellite gas fields and the installation of a compressor unit on the offshore platform, which will help to keep Mossgas in production for at least the next 10 years. – Sapa

(183) Stan 20/7/96

Mossgas gets R910m from state ⁽¹⁸³⁾

APR 20/7/96

ADELE BALETA
Staff Reporter

INFLATION and the deterioration of the exchange rate has forced the cabinet to up its approval for money to Mossgas by R65 million to R910m to extend the gas plant's lifespan.

Mossgas company chief executive Dr David Day yesterday confirmed the cabinet's decision to allocate R910 million to the company

This injection of capital gave Mossgas the go-ahead to exploit satellite gas fields and to install a compressor facility on the offshore platform which would help keep the plant in production for at least the next 10 years

Dr Day said the funding also meant there would be no drop in production levels

The lifebelt extended to Mossgas follows the failure of its holding company, the Central Energy Fund, to find a buyer for the gas-to-oil producer

Sarel Celliers, deputy general manager finance of the CEF, said R65 million extra was needed in the face of poor exchange rates and to cover inflationary costs "Costs go up as time passes," he said

Mr Celliers said before the decision went to cabinet it was approved by the Mossgas Board and the Central Energy Fund.

■ The cabinet has approved R910 million to ensure the continued life of the troubled oil-from-gas producer Mossgas for at least the next 10 years.

The cabinet gave the green light to Mossgas to invest R485 million in satellite gas fields on March 6

At the time, the delay in the government reaching a decision to approve the money was said to have cost Mossgas between R80 million and R100 million

Former Mineral and Energy Affairs Minister Pik Botha also announced at the time that the government was investigating pumping a further R360 million in to install compressor pumps in existing fields to draw out gas once natural pressure was no longer sufficient

The decision followed more than a year of debate over further state investment in the plant which has consumed about R12 billion of taxpayers' fund since the mid-1980s

Mossgas and the CEF has complained bitterly of the cost of these delays in getting clarity on its future

The R910 million represents approval of the R485 million, the R360 million and now another R65 million because of delays for final approval since March

Mr Celliers emphasised that neither taxpayers nor the government would have to pay for

the development of the satellite fields or compressor facility.

The cabinet's approval meant authorisation had been given to Mossgas to use the operating surplus to cover capital expenditure

Mossgas spokesman Harry Hill said the announcement was final confirmation of the process

"The R910 million was found to be justifiable by our monitoring committee - consultants - who had to confirm the commercial viability of the Mossgas offshore projects which would extend our lifespan."

He added that exploiting the gas fields was nothing new. "It's been a part of our project plan dating back to 1987"

Industry sources say the failure of the CEF to find a suitable buyer for the Mossgas project highlights the plants' lack of commercial viability

This was reinforced by the withdrawal of AECI, Sentra-chem and Sasol's joint bid for the plant last month

They said this was because "the economics of a proposed methanol project were not sufficiently attractive to warrant further participation"

R910m rescue for Moss gas

(183) ST (BR) 21/7/96
THE government has given the go-ahead for a R910-million programme to extend the life of its Moss gas oil-from-gas facility to 2001

Mineral and Energy Affairs spokesman Roland Darroll said on Friday the departments of Finance, Trade and Industry and Mineral and Energy Affairs had approved the implementation of the cabinet's decision in March to exploit satellite gas fields off Mossel Bay and compress existing fields to improve the gas flow

"The project will be funded out of Moss gas's operating reserves with bridging finance from the Central Energy Fund. It will not be a charge against the fiscus."

Darroll said approval was given after conditions of the March decision, including a feasibility study on the viability of the programme, were met. The study indicated the investment could net returns of over R3-billion over five years. Earlier this month the CEF rejected all bids for Moss gas — *Reuter*.

Refineries unable to meet demand

Shell and BP considering expansion

(183)

BD 22/7/96

Reinie Booysen

SHELL and BP are investigating expanding their jointly owned Sapref refinery amid fears that the industry's inability to meet future fuel demand could prompt government to break the sector's grip on oil imports.

Industry sources said at the weekend the mooted expansion at the Durban refinery — the biggest in Africa — could run to "several hundred million dollars". This would be the largest fixed capital investment in SA since the 1994 election.

BP said it had been assessing the project since early last year. Shell said it would seek shareholder approval for design and engineering work in the fourth quarter of this year.

Sapref's output was expanded to 165 000 barrels a day (b/d) from 120 000 b/d in 1993 in a project costed then at R450m.

The move could indicate a shift from the industry's previous stance, where companies have argued that uncertainty surrounding deregulation would deter major capital commitments. But soaring demand could leave SA refiners unable to supply SA's needs for certain oil products, particularly petrol and jet fuel.

The minerals and energy department permits the seven oil companies to import refined fuel products only to

cover shortages caused by maintenance shutdowns. Department sources said this exclusive status would be re-examined if the companies proved unable to supply SA's refined oil product needs. This could open the door to imports for players such as Pick 'n Pay.

Oil companies have imported about 300-million litres of products this year, largely due to maintenance shutdowns at three of SA's four oil refineries.

Engen's 105 000 b/d refinery shut for only two weeks in May, but the 86 000 b/d Natref unit in Gauteng, owned by Sasol and Total, went down for four weeks in June, and Caltex's 100 000 b/d plant near Cape Town was out of action for six to eight weeks. Traders have noted a surge in oil product deliveries in Cape Town and Durban to cover product shortfalls. Sapref is to go down for two weeks next month.

BP said the possibility of industry deregulation would not be a consideration in its decision whether to expand.

"The BP International company operates in both regulated and deregulated environments around the world," manufacturing and supply GM Deyar Nathasaid. Government stability was a consideration, and BP had confidence in the SA government.

Shell said options included carrying out the expansion in three phases, eventually to cover primary and secondary processing capacity.

Richards Bay consumers will be linked up within days

Gas network reaches KwaZulu Natal

CTC (R) 23/7/96

(183)

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — The R133 million gas pipeline project by Petronet and Sasol Gas to expand South Africa's small gas network into KwaZulu Natal took a stride forward last week with the commissioning of the pipeline stretching from Secunda to Richards Bay.

The pipeline will bring methane-rich gas through Empangeni to industrial users in the Richards Bay area. It is owned by Petronet, the subsidiary of transport parastatal Transnet.

According to industry sources, Sasol Gas has signed up nine industrial customers, including Alusaf, the aluminium smelter, and Mondi, the wood-pulp and paper manufacturer.

The combined Mondi and Alusaf contracts are worth R170 million.

The first customers in the Richards Bay area will be linked up in the coming days and a further pipeline between Empangeni and Durban could be ready for use as early as October.

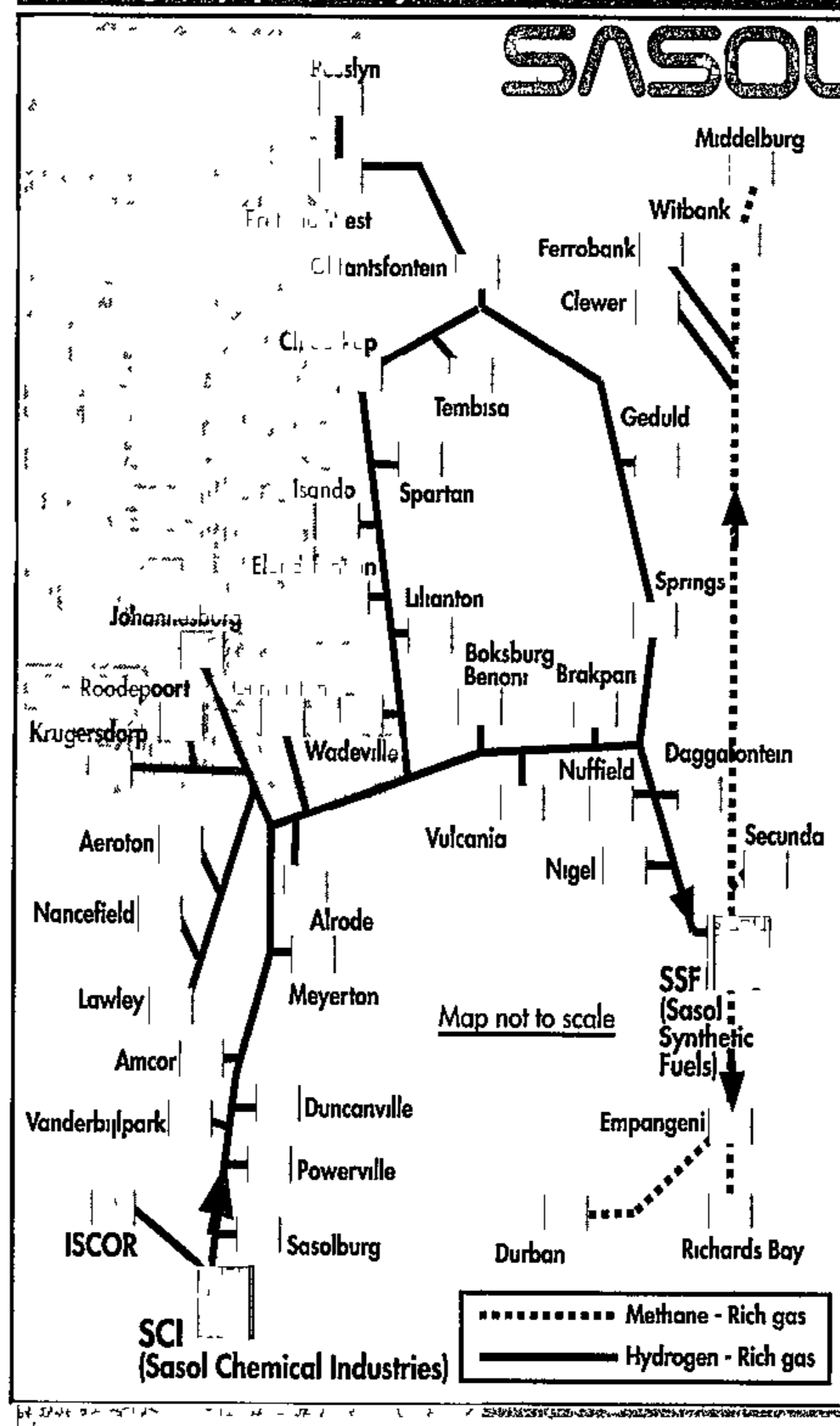
The expansion project in KwaZulu Natal involves the construction of spur lines to individual customers from the reconfigured Petronet transmission pipeline.

The methane-rich gas supplied by the pipeline is a byproduct from Sasol's coal-based synthetic fuel and petrochemical operations at Secunda.

The gas contains between 82,5 percent and 94 percent methane by volume, making it similar to natural gas found elsewhere in the world.

It is a clean and cheap alterna-

Sasol gas pipeline system



Sasol, has supplied gas to Witwatersrand industries on a small scale for 30 years. But Secunda's methane-rich gas was first marketed as an affordable industrial heating fuel in July 1994 to industries in the Witbank-Middelburg area, including the new R3,5 billion Columbus plant.

Evidence of demand in KwaZulu Natal persuaded Sasol Gas and Petronet to invest in the network's expansion in spite of the absence of a national gas policy.

A 1993 study by Sasol Gas indicated the demand potential of more than 150 industrial customers in the area.

On that evidence, Petronet and Sasol concluded an open access agreement for conveying methane-rich gas from Secunda to the coast in October 1994.

In April this year, Sasol gas completed a separate R69 million pipeline expansion from its pipeline network in Olifantsfontein to Pretoria West and Rosslyn.

Sasol Gas distributes and markets pipeline gas from Sasol's manufacturing plants at Secunda and Sasolburg to more than 700 industrial customers in Gauteng, Mpumalanga and KwaZulu Natal.

Gauteng is serviced by hydrogen-rich gas from Sasolburg, while Mpumalanga and KwaZulu Natal are serviced by methane-rich gas from Secunda.

The Sasol Gas pipeline network, which stretches about 1 400km and supplies 98 percent of piped gas in South Africa, has the potential to hook up to the Pande gas field in Mozambique if and when it is developed.

tive energy source to electricity, liquefied petroleum gas, heavy fuel oil and distillate fuel oil.

However, industry sources do not foresee its domestic use in South Africa because gas is commonly used as a source of instant

heat in cold climates.

The gas is priced in a similar way to electricity, with cheaper rates for large-volume users like Iscor.

Sasol Gas, the distribution arm of fuel-from-coal producer

Strike set for Thursday

ESTELLE RANDALL
Labour Reporter

THOUSANDS of clothing workers will begin the industry's first national industry-wide strike on Thursday, the SA Clothing and Textile Workers' Union (Sactwu) announced today.

About 40 000 clothing workers in the Western Cape are expected to take part in the strike which will draw in about 80 000 workers nationally.

In the Western Cape, nearly 400 factories will be affected, including clothing giants Rex Trueform, Pep Manufacturing, Charmfit (manufacturers of Triumph underwear), Monatic (manufacturers of Pierre Cardin and Carducci) and Peter Blond (manufacturers of Karl Lagerfeld).

About 600 Western Cape Sactwu shop

Thousands of clothing workers to take part in national stayaway

stewards met last night - one of several such meetings held countrywide - to discuss strike arrangements.

"We don't want to hurt the economy," explained Francis Hartley, a shop steward at Peerless.

"But every year there's a fight. The bosses think we should be satisfied with whatever we get," she said.

Workers want a 10 percent package increase to cover wage increases and

improvements to maternity and provident fund benefits. Employers are offering eight percent.

Sactwu Western Cape secretary Wayne van der Rheede said that on Thursday, workers would assemble at their factories and then leave for the Good Hope Centre to attend a mass rally.

There would be union officials at all factories to deal with any problems that arose during the strike.

He said there had been wide support for the strike.

Sactwu's textile and retail members were exploring "blacking action" in which they would refuse to handle goods from factories affected by the strike.

Retail stores likely to be affected include Stuttafords, Ackermans and Edgars.

Union officials were meeting this week with the SA Commercial, Catering and

(183) APR 23/7/96
Allied Workers' Union (Saccawu) to discuss solidarity action at Woolworths where Saccawu is strongly organised.

Sactwu does not have an established strike fund, but clothing workers have run fundraising drives at their factories and about 12 000 textile members in the Western Cape, who will not be on the strike which only affects the clothing industry, were discussing making weekly contributions to a strike fund.

Mr Van der Rheede dismissed employers' lockout and dismissal threats as ploys to misinform and frighten workers.

Since the union was embarking on a legal strike, employers would not be able to dismiss workers, he said.

No further meetings were planned with employers, but Mr Van der Rheede said the union was open to discussion.

Energy fund signs \$75m loan agreement

(183) ET(BR) 25/7/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — The Central Energy Fund yesterday signed a \$75 million syndicated loan agreement to finance the cost of developing the E-BT offshore oil field, South Africa's first commercial oil find

The oil field is located in the Bredasdorp Basin, 140 km south west of Mossel Bay.

Kobus van Zyl, the fund's general manager, said that the loan was the first it had raised to finance its

operations and enjoyed the lowest margin (London Interbank Offered Rate plus 0,35 percent) of any loan with similar terms that had been raised by South Africa on the European market

The syndicated loan was arranged by Fuji Bank, Commerzbank of Germany, local First National Bank and five other international banks.

It is guaranteed by the government and repayable in March 1999

Soekor, the fund's exploration subsidiary, will develop the E-BT field. The field, discovered in 1990,

is expected to produce about 20 000 barrels of oil a day when it goes into production in February next year

Reserves

It holds recoverable reserves of between 11 million and 19 million barrels and has a life expectancy of between three and six years

Van Zyl said half of South Africa's liquid fuel needs could be met from domestic sources such as the Sasol and Mossgas synthetic fuel operations and E-BT

R374-m loan to aid Soekor

Business Editor

(183)

AR 25/7/96

THE Central Energy Fund has negotiated an \$85 million (R374 million) syndicated loan to finance Soekor's development costs off the southern coast

CEF general manager Kobus van Zyl said the funds would be used to develop the E-BT field, the country's first commercially viable crude oilfield, due to come on stream next February with a production of 20 000 barrels a day

He said the field, thought to contain recoverable reserves of between 11 million and 19 million barrels, could become the nucleus for the development of several adjacent oilfields

The loan, to mature in March 1999, has been arranged by First National Bank, Commerzbank AG and the Fuji Bank

Five international banks also participated in the loan - Sapa.

Foreign funding for Soekor oilfield

Reinie Booyesen

25/7/96 (183)

THE Central Energy Fund has finalised a \$75m syndicated loan with Fuji Bank of Japan, Commerzbank of Germany and SA's First National Bank to fund subsidiary Soekor's development of an oil field off Mossel Bay.

The government-backed loan — the fund's first — is repayable in March 1999, and will attract interest at 0,35% above Libor. "The interest rate payable ... is the lowest margin at which finance with similar terms has been raised by the SA government in the European syndicated loan market," the fund said. The tiny oil field, known as E-BT, should produce about 20 000 bpd from February next year.

SA currently imports about 330 000 bpd of crude oil. With about 11-million to 19-million of its 32-million barrels in place recoverable, the field has a life expectancy of three to six years and "the potential to become the nucleus for the development at a later stage of several adjacent oil fields".

The move could extend the project's life by another six years, the fund said.

MOSSGAS

(183)

A FEW DOLLARS MORE

FM 26/7/96

Synfuel producer Mossgas will need a further R1bn if it hopes to extend operations until 2005. This is in addition to the R910m awarded it by Cabinet last week. The capex approval will only provide enough gas until 2001.

Mossgas CE David Day says the additional R1bn will involve exploiting the EM reservoir — "but this is still in the development stage for now."

The State-owned synfuel plant expects the first "new" gas to start flowing by end May, 1997. "We have been in the starting blocks for the past six months and have now given Coflexip/Stena — the French/British consortium whose tender was accepted to develop the satellite fields to FA field — the green light to go ahead immediately," Day says.

The combination of the R543m satellite fields project with the proposed R367m compressor platform — which will allow Mossgas to "suck dry" the FA and satellite fields — will extend the onshore synfuel refinery's 45 000 BPD crude equivalent product capacity till 2001. Thereafter, the whole process of obtaining Cabinet approval for using internal cash flows to facilitate expanded production, will start all over again.

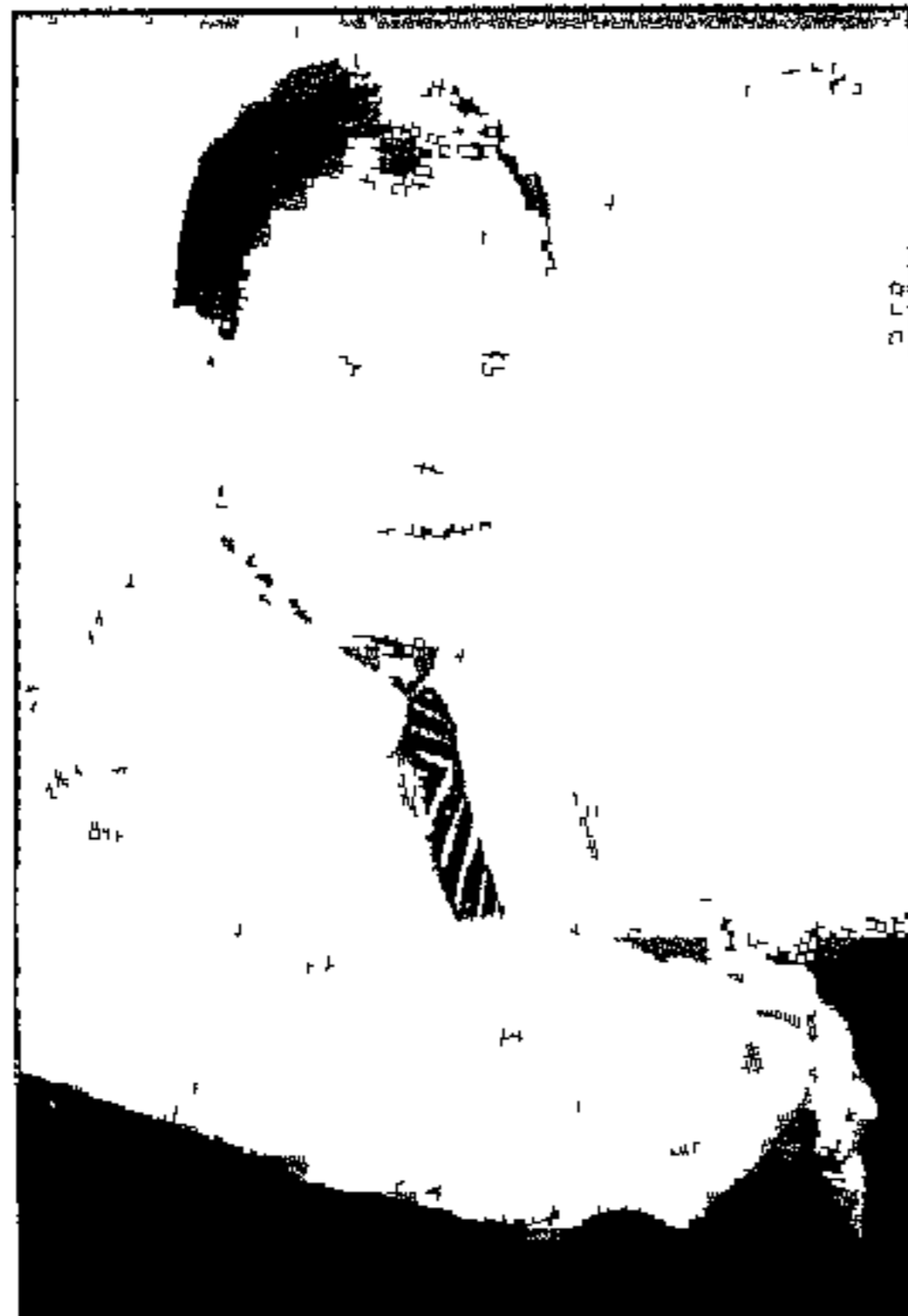
But, says Day, the only alternative to extending the life of the R1 1bn operation could be closing it down and losing not only the invested capex and ongoing positive cash flows, but also the forex savings of R1,3bn/year from refined production capacity.

Government recently decided not to negotiate a deal with private sector consortia invited to bid for the plant — or parts thereof — in a "testing the water" exercise initiated by former Mineral & Energy Affairs Minister Pik Botha.

The Sasol/Sentrachem/AECI consortium — which had investigated using the Mossgas plant for methanol production — pulled out of the negotiations, even before government's negative decision.

Day says the R543m satellite fields project involves

- Contracting a drilling rig to "re-enter" three existing sealed, underwater seabed wells and to drill one new well, in order to exploit proven gas reserves,
- Inserting underwater well-heads on to the wells (the so-called "Christmas trees," consisting of valves, controls and safety devices), and
- Laying an underwater gas pipeline from the four wells, leading back to the existing platform.



David Day forex savings of R1,3bn/year

"Design for the R367m compressor project has started and tenders will go out later this year for completion by end-1998. Onshore, our existing operations will continue, as in the past," says Day.

Most tenders for offshore work have to be obtained from overseas contractors, as the technology does not exist in SA. However, local engineering contractors will be involved in the fabrication of the undersea pipeline and the compression module.

Day says Mossgas is investigating beneficiation options, to add further value to the plant's gas and synfuel streams. Meanwhile, the special properties of its olefin-based diesel product — about 20% of synfuel output — will soon be developed for export. "Ordinary diesel becomes viscous at low temperatures — our product retains its properties at low

temperatures and can be used in northern hemisphere winter conditions."

Though synfuel remains the plant's more profitable option, other specialised products, such as solvents, could become an option — subject to Sasol's licence agreement being obtained. "We are also targeting a 10% reduction in operating costs, to improve profitability," adds Day.

What about an industrial gas pipeline to Cape Town, as proposed by Petronet? Day says this remains an option, subject to State-owned Soekor exploiting further gas reserves in the Bredasdorp basin. "Government has said it would look at joint ventures and strategic alliances, subject to feasibility." ■

POLIFIN

HEADING FOR THE BIG TIME

Petrochemical giant Polifin — a public company with major shareholders Sasol and AECI — is evaluating plans to build a R6bn complex, probably to be situated inland. Based around a US\$1bn chemical cracker, it will provide ethylene and other feedstocks to the SA market and "several" polymer plants will add further value to the ethylene monomer.

Polifin CE Trevor Munday says the "Project 2003" task team — a high-powered group of experts — will spend two years looking at the implications of a project to double SA's ethylene capacity to produce a minimum of 400 000 t/year. "This cracker will be linked to a complex of polymer plants, feeding into both the domestic and export markets."

Latest global trends are being closely studied to ensure that the complex will contain state-of-the-art technology to meet both local and export market polymer demand. But it's possible that the complex could be based on feedstreams from Sasol. Polifin says it's working closely with Sasol to ensure that the future investment in monomers and polymers will result in a cost base which is internationally competitive.

"We're still evaluating our options for siting the plant, but it would likely be inland," says Munday.

With its 400 000 t/year ethylene feed-

stock output moving towards full domestic market capacity, Polifin has now announced its intentions to take the lead role in developing additional monomer and polymer capacity.

Recently, Taiwanese petrochemical companies, backed by their own government and SA, touted a multibillion dollar coastal petrochemical complex which could be linked to crude oil-based naphtha and chemical crackers but this came to naught.

Polifin provisionally plans to get the project on stream as soon as it can be justified. But Munday confirms timing is flexible, depending on domestic demand. And if a concurrent government-sponsored study into building an export-focused petrochemical and plastics conversion "cluster" in SA led to increasing demand for polymers, a decision might well be accelerated.

The "cluster" study, headed by top Trade & Industry officials and including SA's petrochemical industry, was launched last year. Its progress will be tabled at a plenary session in October.

Should government decide to use the cluster initiative to boost investment, economic growth and job-creation, certain supply-side incentives could well be implemented at the cracker level. These are being discussed with government, but

could include tax write-offs (the expired Section 37E accelerated tax write-off scheme attracted several major projects), export incentives or State subsidies.

Polifin group planning manager Derek Lake says "Well before government announced the cluster initiative, we had formed the petrochemical development strategy group — together with Sasol, AECI and Sentrachem — which also looked at the needs for increased ethylene feedstock production and a cracker facility.

However, if government wishes to encourage faster growth in the sector, we could well speed up our planning for the cracker complex."

Ethylene is used locally to produce low-density, linear low-density and high-density polyethylene, as well as PVC.

Lake says SA's polymer import tariff levels of about 10% ad valorem fob — compared with 12%-15% in the First World and "much higher" in most developing countries — shows that the SA product is globally competitive. "And we're also facing up to tariff reform." ■

(183) FM 26/7/96

R1bn Moss gas snub

(183) MTG(PM) 26/7-1/8/96

In the wake of the disastrous Moss gas 'market testing' exercise, it has emerged that the government effectively turned down a R1-billion bid from the Saudis.

Mungo Soggot reports

IN the week that President Nelson Mandela led a top-level delegation to Europe on a "sell South Africa" mission, the government turned down an offer by the Saudi royal family to buy Moss gas.

Just days after the government officially aborted the controversial sale of the synfuel plant, a representative of the Saudi king faxed through a R1-billion bid after being assured by South African officials the offer would be seriously considered.

But the government did not invite Moss gas's royal suitors to catch the first plane from Riyadh to Mossel Bay and examine the plant. Instead, Minerals and Energy Affairs Minister Penuell Maduna replied — after consulting with Mandela, who visited Saudi Arabia last year and Deputy President Thabo Mbeki — that the "market testing" process was over and the government was reconsidering its policy on Moss gas.

This reaction implies an ambiguity on the government's part towards foreign investment although the Saudi offer came in after the bidding process had been wound up, officials were aware the Saudi proposal was on its way before deciding to kill the process.

The government team monitoring the sale — comprising officials from the departments of mineral and energy affairs, finance, and trade and industry — had also assured the Saudis the bid would be seriously considered. The team, which felt none of the other bids passed muster, decided the Saudi offer would not be affected by the termination of the sale process.

It is understood the Saudi offer was more generous than any of the others and motivated by the desire to have a strategic foothold in the South African market.

One industry source commented: "The repercussions of this will be felt for years in the international investment community. If this is how they [South Africa] treat the Saudi royal family, how are they going to treat lesser mortals?"

But Minerals and Energy Affairs director general Gert Venter said this week Maduna's reply should not be seen as a snub. Venter said Maduna had indicated to the Saudis that as the deadline for bids had passed, he could not give the nod without Cabinet's backing that the government was reconsidering its position on Moss gas, that after consultation with Mbeki and Mandela it had been decided the possibility of the Saudis acquiring Moss gas would have to be considered in the context of "broader investment relations" between the two countries. "There is a lot the two countries can offer each other."

Venter told the *Mail & Guardian* the Saudis had asked that the bid remain



Plumbing the depths: Untold riches or just another black hole?

SOURCE: SOEKOR

confidential and that Maduna was disappointed it had found its way into the public domain.

The government's fudged reply comes amid claims that its attempt to sell Moss gas — or "test the market" — were half-hearted and beset with divisive politicking between those government factions committed to a sale and those against.

There are some in the government who believe that — at least for the moment — Moss gas should remain in state hands as a synthetic fuel producer. They argue Moss gas is an important foreign exchange earner — it produces the equivalent of 40 000 barrels of oil a day. They add there are many benefits owed to Moss gas from the regulatory system governing the petrochemical sector which Moss gas has been cheated of.

Their plans for the operation include the possibility of finding more gas for the plant to prolong its life beyond 2001.

Many think otherwise. The International Energy Agency, a branch of the Organisation for Economic Co-operation and Development, said in a

detailed report on South Africa's energy sector that the government should sell the plant.

Within the minefield of disinformation and squabbling among the officials involved with Moss gas lies the argument that former mineral and energy affairs minister Pik Botha and the Central Energy Fund, which owns Moss gas, hijacked the process by interpreting Cabinet's authorisation to "test the market" as a signal to try to sell the plant.

Some officials adhering to this school of thought say Botha could have found far cheaper ways to test the market. One British consultancy, Chem Systems, is understood to have offered to do a market testing survey for R500 000. The merchant banks and advisers cost the taxpayer R1.2-million a month for seven months.

Others argue that it is impossible to conduct an effective market testing without hiring a merchant bank and without being ready to sell. "Only if you show a willingness to push it through are you going to get accurate reflections of what people are willing to pay."

Apart from this, the problem with arguing that Botha hijacked the process is that both the Trade and

High hopes for gas reserves

Mungo Soggot

THE Moss gas market testing exercise revealed that one company suspects the sea-bed off Mossel Bay contained huge gas reserves, officials said this week.

The company, a United States exploration operation, expressed interest in buying the rights to the gas. If the deal went through, the company, which has asked to remain anonymous, would strike a deal with the government to supply Moss gas with gas for up to 20 years. It would then pipe the rest of the gas to the Western Cape, say officials keen on the idea. These same officials believe Moss gas should remain in state hands for the time being.

However, an adviser linked to the process was wary of his colleagues' and the US company's enthusiasm. He pointed out that this same enthusiasm led former president FW Botha to build Moss gas to cater for much more gas than was proven by the US experts originally brought in to advise on the synthetic fuel project. That enthusiasm made the R12-billion plant one of apartheid's greatest white elephants, he said. "Enthusiasm is not a substitute for exploration. Companies spend hundreds of millions exploring and then find nothing. In a way, these people have less to go on than even Botha."

A Soekor official confirmed this scepticism, saying there was an enormous difference between proven gas reserves and possible gas reserves. He said all that was proven was enough gas to keep Moss gas going until 2005 — and this would have to be linked up in two stages. Last week the government gave the green light to a R910-million project that will extend Moss gas's life until 2001.

He was also not convinced by the argument that Soekor had not found the gas in all the years it had been exploring the area because it had been concentrating on finding oil, as Moss gas, its only gas client, paid a cut price for gas.

Industry and Finance Ministries were intimately involved from the start. It is understood Botha consulted them at every stage. "[Trevor] Manuel and [Chris] Liebenberg had their hands on the rudder from the start. No matter what you think of Botha, he is a survivor. He is not the type to go it alone especially when his party is a minority."

Those keen on bringing the private sector to Moss gas say the problem with their opponents' stance is it failed to take on board the government's disastrous track record with Moss gas — which has bled the taxpayer R12-billion plus the R500-million odd a year in subsidies — and that this alone should have persuaded the government to jump at the Saudi offer.

Morale boost for staff as Mossogas saved

By WILLEM STEENKAMP

The recent R910-million approval by the Government of new capital expenditure projects at the much maligned Mossogas project has infused employees with a new spirit of excitement.

After months of uncertainty as the sword of closure hung above the R12-billion project, new projects which will extend the life of the installation until at least 2001 are now set to get under way.

Mossogas public affairs manager Harry Hill said the Cabinet's approval followed verification by independent

consultants that offshore capital expenditure projects were commercially justifiable.

The Government's go-ahead was given after no viable buyer could be found for the project, which was established in the heyday of apartheid when P W Botha, in whose constituency the project fell, helped push it through.

The approval of the expenditure will enable Mossogas to continue with synthetic fuel production at current levels from the offshore "FA" reserves near Mossel Bay.

Hill said the end-of-project costs

Star 27/7/96

will be R570-million and R340-million for the satellite and compression projects respectively. He estimates that the total investment of R910-million will yield a net operating surplus of R3 000-million between now and 2001.

The satellite project will entail the reopening of three existing wells (codenamed FA, FAR and FAH), the drilling of a fourth well and the installation of well-heads and two 16km pipelines to the existing "FA" platform from where the gas and condensate are fed to the onshore plant 91km away.

The "FAR" and "FAH" fields are

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respectively 8km and 16km from the "FA" platform. Oil and Gas Project Consultants from the UK have been appointed as the project managers and the contract for the satellite project has been awarded to Colflexip Stena Offshore, also a British company.

Hill said that in addition to the net operating surplus of R3-billion, continued synthetic production from the reserves would save more than R1-billion annually in imported crude replacement (45 000 barrels a day) and more at finished project prices. About 1 000 direct and 7 000 indirect jobs would be saved.

Capital injection revives Moss gas

(183)
WILLEM STEENKAMP

Staff Reporter

ARC 27/7/96

THE approval by the government of R910 million in new capital expenditure projects at Moss gas has infused employees with a new spirit of excitement

After months of uncertainty as closure threatened the R12-billion installation, new projects which will extend the life of Moss gas until at least 2001 are set to get under way.

Public affairs manager Harry Hill said the cabinet's approval followed verification by independent consultants that offshore capital expenditure projects were commercially viable

The government's go-ahead was given after no viable buyer could be found for the project, established at the height of apartheid when P W Botha, in whose constituency the project fell, helped push it through

The approval of the expenditure will enable Moss gas to continue with synthetic fuel production at current levels from the F-A offshore reserves near Mossel Bay

Mr Hill said the end-of-project costs would be R570 million and R340 million for the satellite and compression projects respectively.

He estimates the total investment of R910 million will yield a net operating surplus of R3 000 million between now and 2001

The satellite project will entail the reopening of three existing wells, the drilling of a fourth well and the installation of well-heads and two 16km pipelines to the existing F-A platform from where the gas and condensate are fed to the onshore plant 91km away

The FAR and FAH fields are respectively 8km and 16km from the FA platform

Oil and gas project consultants from Britain have been appointed as the project managers and the contract for the satellite project has been awarded to Coflexip Stena Offshore, also a British company.

Engineering work on the satellite projects is under way and the drilling of the wells will take place from December this year to March next year

The compression project will entail the installation of another module on the F-A platform which will ensure the gas-flow rate is kept to its design level when the natural pressure in the production wells reduces

Mr Hill said continued synfuels production from the F-A reserves would save South Africa more than R1 billion annually in terms of imported crude replacement (45 000 barrels a day).

Doctors choke on new rules for selling medicines

183 By PAT SIDLEY
ST 28/7/96

SWEEPING changes are being made to the ways in which medicines are prescribed, dispensed and marketed

The government has gazetted details of its intention to

- Compel doctors to use only generic names on prescriptions, enabling pharmacists to dispense a cheaper alternative when there is one,

- Enforce a licensing system for doctors, nurses and others who dispense drugs — which will cut down the number of dispensing doctors but pave the way for more ethical and clinically appropriate dispensing; and

- Supply patient-friendly leaflets with medicines, giving dosage requirements, side-effects and warnings

The government intends to allow a short period for comment on the proposals, which have been on the cards for two years

With any modifications agreed to, these regulations and others already drafted will be promulgated shortly in terms of the Medicines and Related Substances Control Act

The proposed measures include curtailing some ethically dubious practices such as pharmaceutical companies giving large quantities of free or hugely discounted drugs to doctors who sell them at a profit

These and other inducements are used to encourage doctors to prescribe certain products.

The regulations are being resisted by many pharmaceutical companies and doctors.

The private practice committee of the Medical Association of South Africa has decided to lobby against the measures, along with other organisations representing dispensing doctors.

The Medical and Dental Practitioners Association, which represents black doctors, many of whom dispense, says that the measures hark back to the apartheid past. Other groupings are raising funds to pay for an attempt to challenge the proposals in court

Africa's only titanium oxide producer to lift output 30%

(183) CT(BE)30/7/96

By Shirley Jones

KWAZULU-NATAL EDITOR

Durban — Tioxide Southern Africa, Africa's only producer of titanium dioxide, commissioned a R25 million upgrade this month and is considering investing as much as double that sum to boost capacity within the next five years.

David Callow, the managing director of Tioxide, a joint venture between AECI and UK-based Tioxide, a subsidiary of ICI, said yesterday that the recently completed upgrade would increase the company's output of titanium oxide by 30 percent and gypsum by 50 percent.

Titanium oxide is a pigment used by the paint, paper and plastics industries. Gypsum is a by-product of its manufacture.

Callow said the upgrade should increase turnover to R350 million this year from R250 million last year.

He said Tioxide would boost production further only once its significant growth potential had been realised.

He called titanium dioxide a lifestyle product and said growth in its use would be synonymous with the economic development of the country.

"If economic development goes ahead, there is tremendous growth potential, which is why we brought on a capacity increase to meet anticipated growth in the next two years," he said.

In South Africa, about 500g a person of titanium dioxide is used every year. The equivalent figure in Brazil is 1kg, and in the US it is between 3kg and 4kg.

Tioxide produces about 45 000 tons of titanium oxide a year.

Exports

If sells two thirds of its production locally and exports the remainder to the US, Canada, the Far East, Malaysia, Zimbabwe and Mauritius.

Callow said that the success of Tioxide's exports, especially to the US, hinged on the quality of the product supplied. He said the depreciation of the rand meant that the price of titanium dioxide from South Africa was slightly lower than that from other countries.

However, the price fluctuates, and the company will have to contend with the phasing down of protective import tariffs from 13 percent at present to 10 percent within the next three years, in terms of Gatt

Competition could reduce costs

(183)

SA refiners, fuel fund to buy Iraqi oil

BO 30/7/96

Reinie Booysen

SA OIL refiners were gearing up to buy Iraqi crude again for the first time since the 1990 invasion of Kuwait which saw an international embargo placed on Iraq, sources said yesterday.

Many last-minute glitches were possible, but they said as many as 700 000 bpd of Iraqi crude could be flowing on to international oil markets by September. The UN had signalled its willingness to allow Iraq to export crude temporarily to generate funds for humanitarian needs in the country.

With US approval essential to the UN plan, the US was unlikely to protest against increased purchases of Iraqi crude by SA refiners. Last year the US came out strongly against a plan for Iran to use state-owned storage facilities near Cape Town.

Most SA refiners, who together import about 380 000 bpd of crude, are expected to be among Iraq's customers.

Even the Strategic Fuel Fund, which used to purchase the bulk of SA's crude oil before the end of international sanctions, said yesterday it intended buying 30 000 bpd of Iraqi crude.

However, local refiners are unlikely to buy Iraqi crude through the fuel fund, with Engen and Sasol saying they will negotiate directly with Iraq.

Industry sources said yesterday Shell, BP and Caltex would probably

either buy directly or through their overseas parent companies.

Iraq's entry onto world markets could lead to reduced costs for local refiners. Apart from a possible dampening effect on international benchmark prices like North Sea Brent Blend crude, the discount paid for poorer quality Middle East crude grades could increase as Iraq competes with neighbours Iran, Kuwait and Saudi Arabia.

Iraqi crude is similar in quality to crudes sold by Iran and Saudi Arabia, and sources say Iraq could be forced to discount prices to attract buyers. Kuwaiti crude is of poorer quality but its SA sales of about 90 000 bpd to Sasol, Total, Engen, Shell and BP are on a one-year contract running through December, making the country less exposed to imminent Iraqi competition.

Iran's shipments of about 200 000 bpd to SA are expected to be hardest hit as they enjoy less customer loyalty.

Apart from price, SA refiners said they would require reassurance on the quality of Iraqi crude. Before the embargo, Basrah Light, the Iraqi grade most likely to come to SA, was close to Iranian crude in quality and well suited to SA refinery configurations.

"Six years is a long time and we have no idea what the export grade quality will be like," said an oil buyer at one SA refiner. "We'll first have to test a cargo before we buy on a large scale."

BUSINESS WATCH

Editor

John Söderlund

The favour of the market has been a boon for the shares of the company. The share price has risen from R2.50 in January to R5.60 in June. This is a significant increase of 124% over the period.

When the price of oil rises, the price of naphtha-fer rises. The price of naphtha-fer has risen from R2.50 in January to R5.60 in June. This is a significant increase of 124% over the period.

Gensec

Genbel South Africa has been a qualified success. The price of Genbel South Africa has risen from R2.50 in January to R5.60 in June. This is a significant increase of 124% over the period.

Its shares have risen from R2.50 in January to R5.60 in June. This is a significant increase of 124% over the period.

In the second half of the financial year Gensec generated earnings of 78c a share, against first-half earnings of only 36c. Yet the company enjoyed the use of the enhanced base for only a part of the second six months, suggesting that earnings of 200c a share this financial year are easily achievable. That would give it a forward price-earnings multiple of 13 times.

Petrochemical industry loses out to the politicians

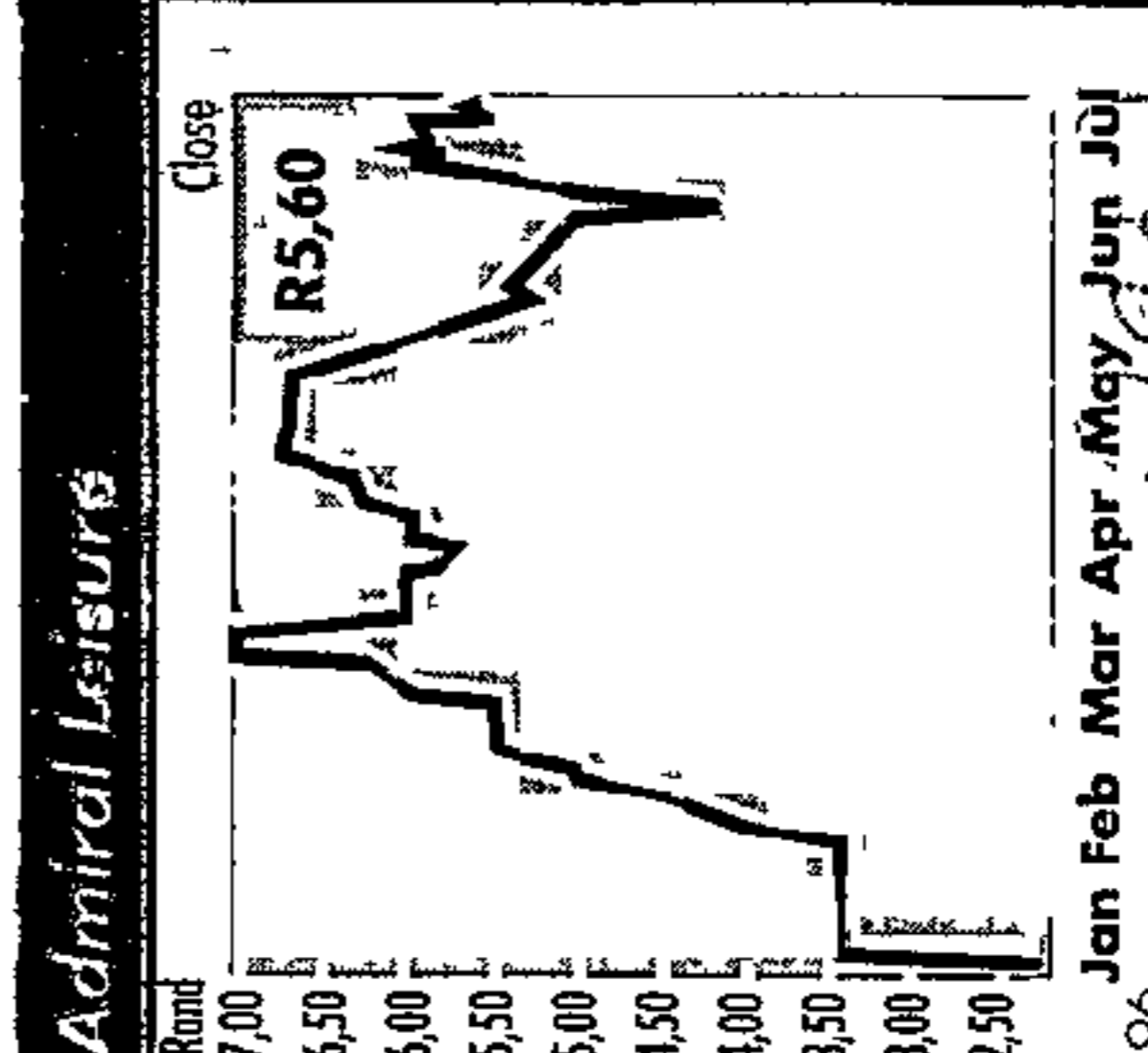
By John Söderlund

The share drifted on later as uncertainty dogged the future of gambling legislation. Results for the year to February 29 reflected a loss, but they are still well ahead of the company's prelisting statement. Admiral has also secured gambling licences it was not banking on. They should look good for the bottom line, particularly the Namibian licence, as Stocks & Stocks can testify to from its Swakopmund experience.

Even if the South African licences do not come up 'trump', however, Admiral will probably supply the successful bidders with the equipment to run their casinos. These factors will probably result in stronger earnings than would have been the case if the year's results had been in line with the prelisting forecasts. On balance, Admiral is probably worth a punt for a little braver capital.

News that a mystery buyer is stuffing Admiral's IGI insurance should not be that surprising. The flavour of the month seems to be developments in cash shells and suspended shares, rather than in companies with sound fundamentals.

Southgo, which previously housed a variety of marginal gold mining interests,



Admiral Leisure who climbed into Admiral Leisure so enthusiastically after its listing in January pushed the price from R2.50 to a peak of R7 in just over two months

set the tone with a well-publicised takeover by a consortium headed by Jeffrey Lieberman, the former head of W&A Egoli, a stablemate of Southgo, is also attracting speculative trade as a cash company.

Scarcely traded Ensign Clothing suddenly caught the market's attention after the original struggling clothing business was liquidated and a cash company established.

There has been talk of several takeover bids for Ensign, including one by Mnyama, the black business group. Ensign published a cautionary yesterday that surprisingly did not prompt trade in the share.

The signs of life at IGI must be extremely heartening for long-suffering shareholders, who have watched the once-formidable insurer stripped to little more than bones.

One prominent Cape Town businessman, whose company holds a sizeable minority stake in IGI, summed up the mood aptly this week: "When I saw the offer for 40c a share I thought here's an attractive deal for some wallpaper. But considering what's happening in the market right now, it's probably worth hanging on for the ride."

OPINION & ANALYSIS

The sale of two calcium carbide furnaces could boost the results

Polifin's earnings expected to rise

By Jonathan Rosenthal

Johannesburg — Polifin, the petrochemicals company in which AECI and Sasol own large stakes, is expected to report a 25 percent increase in earnings for the year to June 30, its first full reporting year since it listed on the JSE last July.

The company will announce its results next week.

Earnings are expected to rise to about 80c a share from 65c last year, analysts said yesterday.

Polifin's sale of two calcium carbide furnaces to Samancor for an undisclosed sum, announced in June, could add a once-off boost to earnings if included in the review year's figures.

That could be offset by the additional costs of running new and existing facilities in tandem in the first half of this year as Polifin moves ahead with the commissioning of new plants under its modernisation programme.

The company was also likely to incur write-off and closure costs of about R20 million on old plant, said an

analyst who asked not to be named.

The share was dragged lower by a downturn in commodity prices towards the end of the year, though Polifin listed at the peak of the commodity cycle.

Overstocking in China, and buyers' expectations that import tariffs would be dropped, led to a fall in purchases by China. This depressed the entire market for the second half of last year.

Earlier this year the cycle turned up briefly on the re-entry of China into the

market and Polifin announced a series of price rises at the end of May.

Though its Sasolburg vinyl chloride facility was commissioned about four weeks ahead of schedule, analysts expected that the effect on earnings of the new capacity and processes would likely to be felt only next year.

In March Polifin bought a 26-per-cent stake in Metap, which recovers and regenerates hydrochloric acid. Polifin workers downed tools in March to support demands for higher wages.

EST (PAP) 31/9/1983

AECI opens new R250m lysine plant

Nicola Jenvey (183)

003117196
DURBAN — The official opening yesterday of AECI's R250m lysine plant at Umbogintwini could form the nucleus for further biochemical production plants at a cost of R2bn over the next decade, AECI MD Mike Smith said.

He said the plant was a joint venture development with the Industrial Development Corporation. Smith said demand in the international lysine market (lysine is an amino acid essential in animal nutrition) had reached 250 000 tons a year valued at \$650m and was growing at about 10% a year.

AECI would expand the plant threefold from 11 000 tons a year, planning to supply 10% of the world market.

German-based BASF holds exclusive international distribution rights for AECI's lysine. Executive vice-president Hanns-Helge Stechl said the group would consider entering into future joint-venture expansions.

AECI Engineering MD Fritz Gassauer said AECI would use the expertise acquired through the lysine project to expand into a diverse range of biochemical production processes.

Officially opening the plant, Trade and Industry Minister Alec Erwin said AECI had accepted the economic and social changes facing SA and had invested in technology which pushed the country into the forefront of economic development.

"Should businesses maintain a Third World attitude, SA would not survive," he said.

The venture represented an entry for SA into the lysine market. Prior to the greenfields project, SA had imported its requirements for the animal feed.

Smith said the project would generate foreign exchange and added value to the plant's primary raw material, sugar.

Iran's plans to use oil tanks at Saldanha could be postponed

BO 31/7/96 (183)

Reinie Booysen

PLANS by Iran to trade substantial quantities of crude oil through SA's vast storage tanks at Saldanha Bay could be postponed until at least end-September for an environmental assessment to be completed on the project.

The consolidated environmental effect assessment, to be written by the Council for Scientific and Industrial Research (CSIR), was expected to be completed only by end-August, sources said yesterday.

The public would then have about a month to comment on the report before an independent review panel made a final recommendation to Strategic Fuel Fund.

The fund, a subsidiary of the Central Energy Fund, is proposing to rent part of its 45-million barrel facility to the National Iranian Oil Company. Iran hopes to use Saldanha as a platform and hub for trading opportunities to the major north Atlantic markets, and to SA oil refiners.

The 12 initial specialist reports assessing the effect of Iran's oil trading plan were being finalised, and it would be about four or five weeks before the CSIR was able to combine them into one report, CSIR project manager

Mike Burns said yesterday.

Meanwhile, fund GM Kobus van Zyl said it would accept the recommendations of the review panel, even if negative.

The five review panel members are Prof Richard Fuggle of the University of Cape Town, Sea Fisheries Research Institute assistant director Lynne Jackson, Mineral and Energy Policy Centre senior policy analyst Mike Solomons, ex-Pentowmarine MD Dai Davies and Stellenbosch University law lecturer Prof André Rabie.

Rabie said yesterday he welcomed the fund's commitment to accept the panel's recommendation. He said this would avoid a recurrence of the Saldanha Steel dispute.

Van Zyl said yesterday the Saldanha tanks contain only about 15-million barrels of crude. There were a further 30-million barrels in disused mines at Ogies. This reserve would be reduced to about 10-million barrels by the fourth quarter next year.

In terms of the latest Cabinet decision, the fund must keep at least 35-million barrels in storage nationwide, so levels in Saldanha will have to be increased to compensate for reduction at Ogies.