MINING — COAL

1990

JANUARY — DEC.

Different accounting needed for coal mines

BDay 4/1/90 (215)

CHARLOTTE MATHEWS

COAL mines are an exception to the general mining sector in various respects and different accounting policies are necessary, Davis Borkum Hare analyst Manny Pohl says in a paper on coal mining taxation

Pohl recommends that coal mining companies, which adopt a variety of accounting methods, use the amortisation approach with the comprehensive method of accounting for deferred tax

"This is in the best interest of shareholders if a liberal dividend policy is adopted," he says.

Tax-laws reflect the fact that mines are wasting assets. Mining operations can therefore deduct from mining income the capital expenditure incurred in carrying on mining operations

It follows that before a mine has reached the production stage it cannot deduct capital expenditure, which is accumulated until mining commences. In the early years of a mine's operation it has a material tax relief

After production has begun capital expenditure on shaft sinking and equipment can be deducted for tax purposes

The Margo Commission said the justification for allowing immediate write-off of capital expenditure was that mining was exceptionally risky.

But, says Pohl, coal mining is less risky than other types of mining.

Surplus

The market is mainly domestic and dominated by Eskom, a contract market with no price risk, unlike the volatile export markets The current situation is that Eskom has a surplus of available coal and the only new colliery development will be for the export market

"This market changes from feast to famine within months and a three-year capital expenditure programme could be aborted overnight"

Pohl says Witbank Colliery and Gold Fields Coal follow the principle of deducting capital expenditure as an expense, while Amcoal and Trans Natal Coal Corporation spread the tax relief over the expected life of the mine.

"Clearly this policy would ensure that the after-tax earnings attributable to shareholders is directly related to the profitability of the company and not the stage of the development of the mine"

A company which uses the partial method of accounting for deferred taxation could become liable for tax in bad times, which will severely affect after-tax profits.

A company that uses the comprehensive method may never become liable for tax and therefore reduces profits and builds up a permanent cash reserve that is not distributed to shareholders.

Pohl recommends that the comprehensive method be adopted with a reduction in dividend cover to ensure that dividends are not affected

Witbank Colliery optimistic about Middelburg acquisition

(215) Star 8/1/90

The acquisition by Rand Mines subsidiary Witbank Colliery of BP Southern Africa's interest in Middelburg Coal Mine for R546 million, and the subsequent joint venture with JCI through its subsidiary Tavistock Collieries, will have a positive impact on the financial results of Witbank Colliery.

Chairman Allen Sealey told Witbank shareholders at this weekend's AGM.

"At the current level of exchange rates it is expected that the additional 48,5 percent interest in Middelburg mine acquired by the Douglas Colliery will contribute positively to profits."

He said that had the acquisition taken place in the 1989 financial year it would have added 12 percent to Witbank Colliery's profit.

Witbank's taxed profit in 1989 was R163 million — up 154 percent on 1988

Mr Sealey said that in order to finance the Middelburg acquisition, Douglas Colliery had negotiated a medium-term loan facility with a bank.

"Cash flows generated from the existing operations in Witbank, together with the increased contribution from the Middelburg mine, indicate that the Witbank group will require borrowings for a period of three years," he said

"Medium-term commercial borrowings are therefore the most appropriate way of financing the acquisition."

One of the lowest-cost producers in SA, Middelburg sold 5,5 million tons of export coal last year

One of the big pluses of the joint venture between Witbank and Douglas, and JCI and Tavistock, is that both parties bring contiguous coal reserves to the party, thus increasing the life of Middelburg by about 15 years at a sales level of 5,5 millions tons a year.

● Mr Sealey also indicated that the profits of Vansa Vanadium would fall this year — if the rand exchange rate remains at current levels and if the price of vanadium pentoxide remains depressed

At the company's AGM he said "The current price of vanadium pentoxide of $2,50 per pound is considerably lower than expected earlier"

RAND MINES FM 12|1|90. (215)

Digging into coal

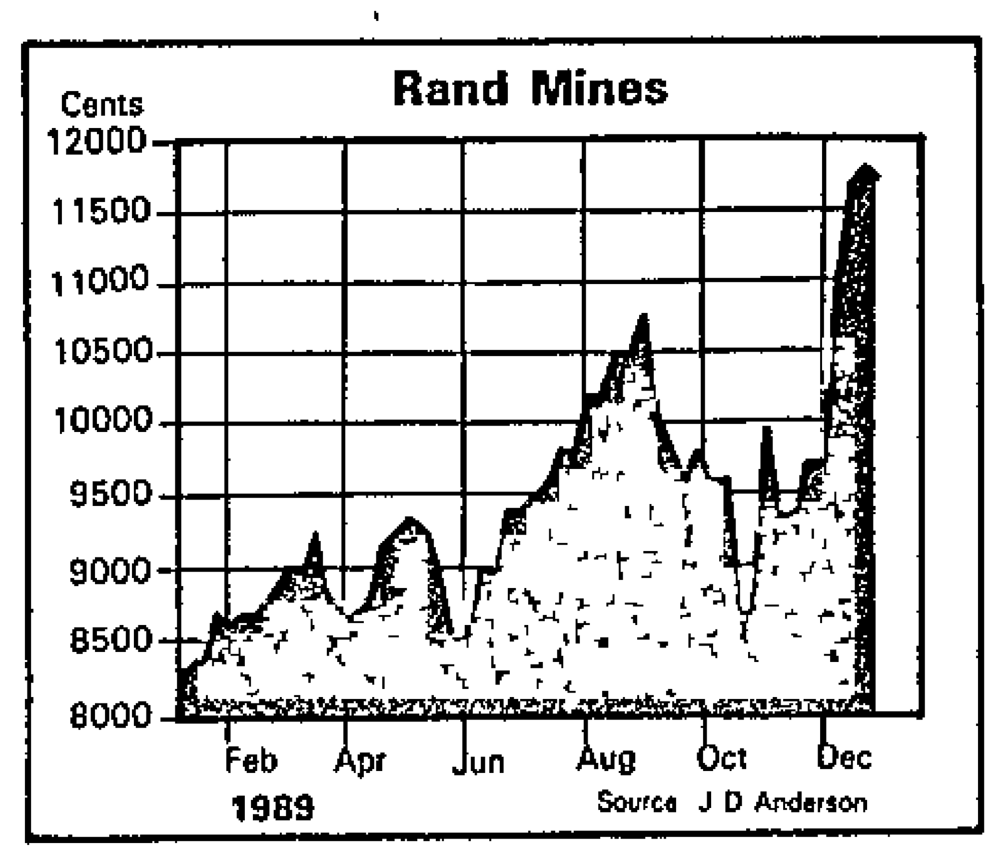
Activities: *Mining group with major interests in gold, coal, platinum, base minerals and property*
Control: *Barlow Rand owns 74,4% of the equity*
Chairman and managing director: *D T Watt*
Capital structure: *11,21m ords of R1 Market capitalisation R1,31bn*
Share market: *Price R117 Yields 4,8% on dividend, 16,5% on earnings, PE ratio, 6,1, cover, 3,4 12-month high, R117, low, R62,50 Trading volume last quarter, 33 000 shares*
Financial. *Year to September 30*

	'86	'87	'88	'89
Investments				
Book value (Rm)	171	204	371	242
Market value (Rm)	425	671	611	507
Performance	'86	'87	'88	'89
Attributable profit (Rm)	134	154	165	216
Earnings (c)	1 197	1 369	1 467	1 929
Dividends (c)	425	435	450	560
Net worth (R)	87,3	112,7	88,1	97,6

A quirk of timing has meant that chairman Dammy Watt's annual statement contains only fleeting reference to subsidiary Witbank Colliery's acquisition of BP's majority stake in the Middelburg export colliery The acquisition, concluded a month ago, was the capstone of a period of rapid development for Rand Mines

Just over a year earlier, the Crocodile River (formerly Lefkochrysos) platinum mine had been salvaged from the mismanagement of Loucas Pouroulis and his colleagues, and its development became the group's priority underscoring shift in operating emphasis away from gold No sooner had Crocodile produced its first platinum ingot than plans to accelerate the mine's expansion were announced, while the comparatively slow development rate at the Kennedy's Vale mine will be maintained

For the present, it appears that strong demand will absorb the large amounts of




Rand Mines' Watt ... in an expansive mood

new SA platinum group metals (pgm) due to enter the market over the next couple of years, and that pgm prices will not suffer unduly The same does not appear true of vanadium Just before the end of 1989, Highveld, the vanadium price setter, fixed its first quarter 1990 vanadium pentoxide price at US$2,50/lb, half the level of 1989's fourth quarter and one third that of the year's second quarter

Vansa will be consolidated in the Rand Mines accounts this year, so the effect of the lower prices will be mitigated to an extent Nevertheless the price cuts do underscore the difficulties likely to be met in metal markets this year In its last financial year Rand Mines scored handsomely from strong chrome prices, as stainless steel manufacturers scrambled for ferrochrome supplies

Watt believes softer chrome prices will lead to only a marginal increase in profits from the chrome mines this year

Essentially, though, the joint Witbank/JCI acquisition of Middelburg reinforces Rand Mines' reliance on coal. A certain amount of window dressing has been necessary to make it appear Witbank has not been catapulted into first place among coal exporters — JCI will be entitled to 40% of Middelburg's production and Witbank's nominal export allocation rises to 9,3 Mt against Amcoal's 9,6 Mt But Witbank will be marketing JCI's Middelburg entitlement and has effectively become the country's largest coal exporter, with a decisive vote in developments at the Richards Bay Coal Terminal (RBCT)

Witbank has to borrow to finance its share of the acquisition and interest payments will have a dampening effect on profits Nevertheless the acquisition recognises the fact that export sales have become increasingly important, with firming dollar prices and the effective easing of sanctions against SA's product At home sales to Eskom shaded, with reduced demand at the Duvha power station Deliveries to the Majuba station remain delayed but a compensation agreement struck with Eskom allowed the colliery to start generating a return on investment in March.

Watt makes the point that problems at the group's gold mines have little or no effect on Rand Mines' results as the mines are not consolidated Technically he is correct, though the group gets precious little dividend income from its operations and, by writing down its equity investment in ERPM, has tacitly admitted the mine is unlikely ever to pay dividends.

Operations have been restructured at ERPM, Durban Deep and Harmony in an effort to generate some positive operating cash flow, but Durban Deep's life expectancy is most uncertain and Harmony has cut capital spending to the bone Of course the sands processing operations managed by Rand Mines Props and at Pilgrim's Rest are generating revenues, and the small Barbrook gold mine is slated to reach full production this quarter

Watt expects profits to grow this year, though at a more moderate rate than the unexpectedly high rate of 1989 In round figures he is probably budgeting for a dividend hike to around 600c This would put the share on a forward yield of 5,1% which discounts some years of growth *Jim Jones*

AFROX FM 12|1|90

Stepping on the gas

A year ago chairman Peter Joubert cautiously hedged his forecasts for the coming period Afrox had just completed its best trading year and was entering a period of considerable economic and political uncertainty. In fact, fiscal 1989 turned out to be the best ever and the group extended operations with a heavy capital programme

This time around Joubert is again cautious But he makes it clear Afrox can easily maintain the rates of capital spending needed to expand its business and that the benefits of earlier spending will start flowing to the bottom line this year

The gases and welding divisions, which provided a virtually unchanged 81,6% of

FIM 12/1/90 (215)

COAL INDUSTRY

Running out of steam

■ A stronger rand could offset benefits of higher volumes

Coal shares on the JSE had a powerful run during 1989 — largely thanks to improved conditions for SA exporters on the international coal market But the coal share index topped out in September and has since dropped back to reflect changed circumstances

Still, there's no reason for investors in these shares to start donning sackcloth and ashes, the export market continues to look good However, while coal export volumes should continue to rise this year, the increases in dollar prices being achieved for 1989 delivery are below expectation And what looks a firmer rand-dollar exchange rate is going to trim profit margins further

The JSE actuaries Coal index rose 76%, to peak at 2 415 on September 28 from the 12-month low of 1 368 on December 21 1988 It has since drifted down to current levels of around 2 220 Over this period Amcoal rose from R44,50 a share to peak at R80 before drifting back to current levels around R73, while Trans-Natal Coal Corp rose from 500c to 865c before retreating to 775c Witbank Colliery (Wit Colls) moved from R47 to peak at R74, the share eased to about R69 before recovering to stand at about R72,50

Wit Colls's performance has been firmer than that of the other coal counters because of the group's acquisition, in partnership with JCI, of BP's Middelburg export mine The deal is good news for Wit Colls and may result in a rerating of the share because of the company's greater export volumes and the way it has limited its debt exposure through bringing in cash up front from JCI

The export market is the driving force in the fortunes of coal companies This is because the domestic market will remain flat — probably until the end of the century — as a result of Eskom's rationalisation programme at its coal-burning power stations

Improved dollar prices for coal during 1989 were the result of an increase of about 3% in the total world demand for steam coal, while a number of countries other than SA failed to hit planned export tonnages

The most important was probably China, where soaring internal demand has forced the country not only to default on planned exports but also to become an importer of coal Australian coal mines were hit yet again by labour problems, while operations at the huge El Cerrejon mine in Colombia were hampered by the effects of two hurricanes and more labour unrest

Wit-Colls's Sealey ... volumes not of primary concern

The SA coal exporters were major beneficiaries Coal prices for 1989 delivery rose by nearly 20% in dollar terms and the Richards Bay Coal Terminal (RBCT) worked flat out Though one stacker/reclaimer was down for months, coal shipped through the port during calendar 1989 came close to the nominal capacity of 44 Mt/year, according to Wit Colls chairman Allen Sealey He says 1990 exports via Richards Bay could reach 46 Mt

That is the good news The bad news is that dollar prices appear at least temporarily to have run out of steam, bearing out comments made in October by Trans-Natal Coal Corp (TNC) chairman Brian Gilbertson He said then that "In view of these developments, and more recently of the coal mining strikes in the USSR, US and Canada, it is surprising, indeed worrying, that steam coal prices have not risen above the level of some US$32/t fob Richards Bay"

The key export contract is with Enel, the Italian counterpart of Eskom In the negotiating season with European customers at the end of 1989, this contract was settled at levels lower than hoped for by the SA exporters

It was settled at $31/t for 27 mj/kg (megajoules per kilogram) coal, which is a low heat value product That was an increase of $1,25/t or 4,2% on the 1988 Enel price of $29,75/t The Enel contract is important because it acts as a benchmark price for other European customers Coal industry executives say other contracts have been settled at higher prices ranging up to $34/t, but those relate to higher heat value coals

Trans-Natal's Gilbertson ... worries over price levels

Overall, the increases are seen as disappointing — particularly when viewed against the higher prices that coal exporters in countries other than SA have been achieving

"In the markets where SA coal is subject to sanctions or threats, the other exporters are scoring off us We're getting dollar increases of about 5% whereas the Colombians are getting increases of up to 10% and the Australians are getting increases of about 7%," says one coal company executive Another notes that "the South African discount is not reducing despite the firmer market conditions"

Negotiations are still under way for 1989 prices in the Far Eastern markets, which usually settle by about March As is usually the case, the accusations are flying between the SA exporters as to who chickened out in the negotiations, or deliberately undercut competitors, with the result that hoped-for dollar price increases did not materialise

The biggest problem for SA exporters this year could be a stronger rand, particularly if gold maintains its firmer trend The SA monetary authorities are taking advantage of the strength of the dollar gold price to allow the rand to appreciate against the dollar

However, a stronger rand reduces rand revenues for the coal companies unless they can get dollar prices high enough to offset them — which is not happening The rand has strengthened against the dollar by nearly 8% from its average value for the September quarter compared with the average 5% increases being negotiated on dollar coal prices If gold really gets going the rand is going to strengthen further

However, conditions on export markets are good enough for the SA exporters to be embarking on an expansion at RBCT, though industry executives are doing their best to play this down They prefer to describe it as a modernisation programme to guarantee the nominal throughput of 44 Mt The bottom line is that after the R239m programme, which will install new equip-

FM 12|1|'90 215

ment, including another stacker/reclaimer, the terminal will be able to handle 48 Mt/year There are plans to spend a further R100m on new locomotives and upgrading the Richards Bay railyards This would allow output to be pushed further to 53 Mt/year.

Not all the RBCT exporters appear happy about the plan, because of the threat of oversupply in the market An oversupply would hit the SA exporters worst because of the country's dicey political status TNC's Gilbertson tells me he would rather see higher prices than greater availability of product However, TNC has gone along with the expansion, it has the power of veto in the RBCT but did not exercise it

The expansion is being treated as a "brownfields" expansion of the RBCT This means only the existing members will participate in it, in proportion to their shareholdings in the terminal

Companies holding Phase 4 export permits which are not already members of the RBCT will not take part How these companies would enter the export market was the subject of heated debate back in 1982-1983, when the future for the SA coal exporters seemed unlimited. The then Minister of Mineral and Energy Affairs, F W de Klerk, told parliament in May 1982 that more than 100 applications for the annual export of more than 200 Mt of coal had been received for the 32 Mt/year Phase 4 export allocations which were up for grabs at that time

"The one good thing about the sanctions issue is that it flushed all these rats and mice back down the drains, some never to be heard of again," says the chairman of one RBCT member company "Their participation in the RBCT is a non-issue We put up the money and took the risks and are entitled to the full benefits of the brownfields expansion of the present facilities to their economic limits "

That's fighting talk, but, apart from sanctions, there are two major reasons why the issue of new exporters is not as heated now as a few years back Two major mining companies which were not RBCT members have gained access to the club After the Transvaal Coal Owners' Association (TCOA) handed back its 10 Mt/year export quota to its members, JCI received a direct 1,3 Mt/year quota in the terminal and GFSA got a 1 Mt/year quota

The other major mining house that is not an RBCT member, Anglovaal, appears to have lost interest in the coal market, despite its 1 Mt Phase 4 allocation It sold its last operating coal mine to Witbank Colliery last year and seems content with its passive stake in the business held through Anglo Transvaal Collieries' shareholding in Witbank Colliery

The other reason is that the relationship between the RBCT members and Sats has improved dramatically under new Sats GM Anton Moolman, compared with the situation that prevailed when former GM Bart Grové was in office Sats previously championed the cause of the new exporters to the point where it nearly built a new coal terminal for them at Richards Bay

"Sats' standpoint was that, because the rail line to Richards Bay could shift 65 Mt of coal annually, that was what the country's annual exports should be It was neither here nor there that we couldn't sell the stuff Moolman is a different entity. He is a businessman as well as a railroad executive," says a coal company executive

Expanding capacity

Market conditions have also improved for exporters using Durban, where the exporters grouped under the Durban Coal Terminal Company (DCTC) have started modernising and expanding the capacity of the Bluff Mechanical Appliance (BMA) The DCTC set up a joint venture with Sats over the BMA in 1988, with the ultimate aim of renovating the appliance to handle the full 5 Mt/year of coal which the port of Durban is authorised to export The coal is now exported via the BMA, conventional loading quays, the Maydon Wharf 5 (MW5) terminal and the Durban Bulk Shipping (DBS) terminal

Coal used also to be exported via Pier 109 controlled by the Maputo Exporters Committee (MEC) But the MEC has sold this facility to Rennies, which intends using it for loading grains, feedstocks and other bulk materials

DCTC chairman André van Rooyen stresses the rate of expansion of the BMA is 'completely determined by the state of the coal export markets The BMA had the capacity to export 1,4 Mt/year when the joint venture was set up in 1988, and this has been increased to 1,7 Mt for the financial year to June 1990

Van Rooyen says estimates on expansion for the financial year to June 1991 will only be made in April/May 1990 when the DCTC members meet to agree on the capacity required and the tariffs to be charged for use of the BMA Sats has given permission for coal export levels through Durban — other than the BMA — during calendar 1990 to run at 1,2 Mt via the conventional quays, 0,9 Mt via MW5 and 0,6 Mt via DBS That puts present coal export capacity through Durban at about 4,4 Mt/year

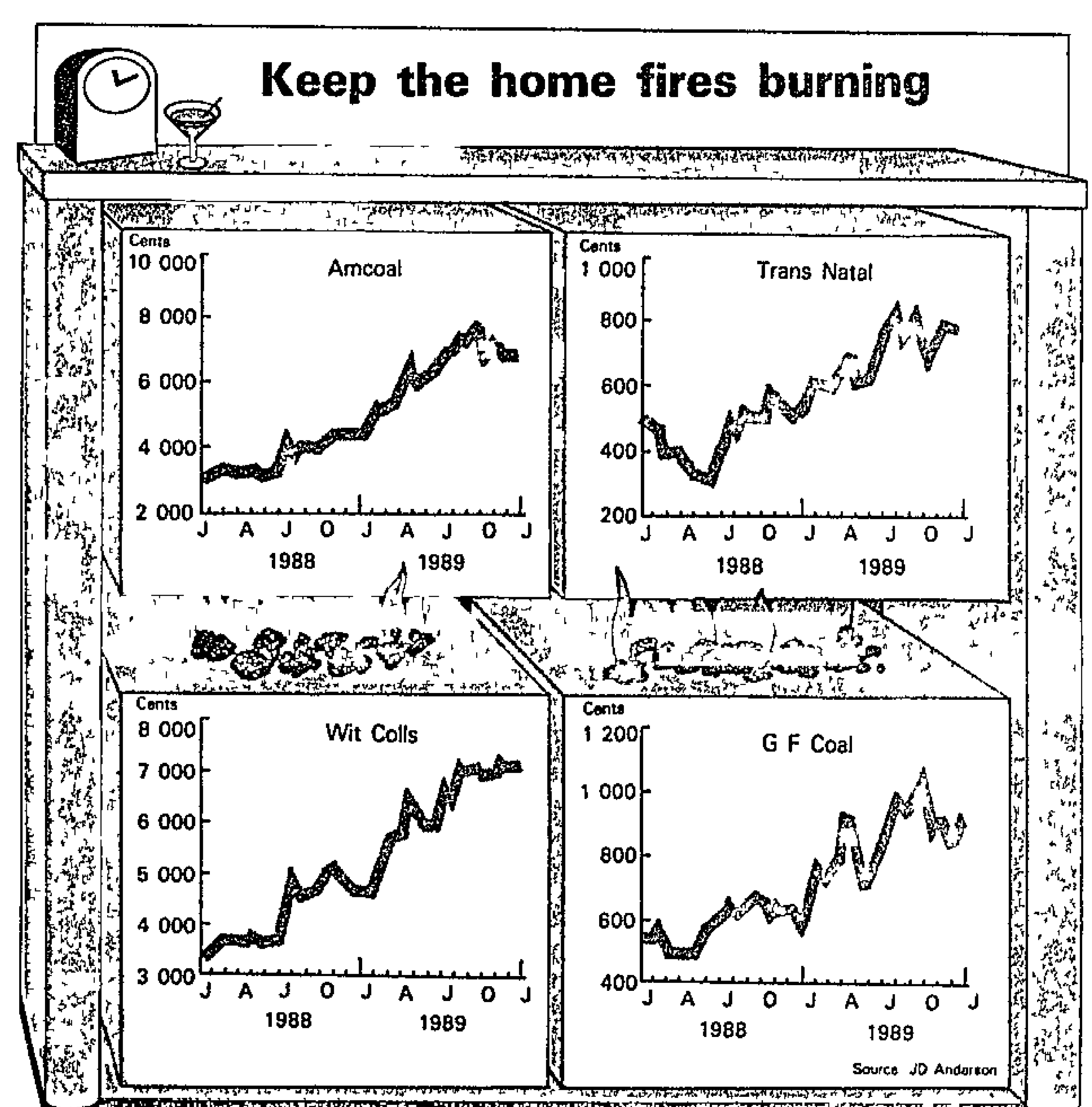
When the long-term aim of exporting 5 Mt/year through the BMA is reached, Sats will not allow coal to be exported through the other facilities at Durban being used now

Despite the expected higher sales volumes, the general expectation is that profit growth for the coal companies is going to be unexciting in the year ahead

That makes coal shares look fully priced at present On balance, a stronger rand is probably going to sap much of the benefits of revenues from higher sales tonnages and there's the ever-present issue of increases in working costs

However, benefits of 1989 are still flowing through, particularly to Amcoal with its March year-end Earnings for the year should be at least 60% up on the year to March 1989 and the dividend could be increased by about 33%

Brendan Ryan



Stronger rand hits Witbank

Star 16/1/90

Witbank Colliery's working profit dropped from R67,7 million (1 3064c/t) in the September quarter to R44,5 million (951,8c/t) in the December quarter. Net profit was R39,7 million (R61 million).

Sales tonnage dropped by 500 000 tons to 4,68 million tons as a result of the traditional seasonal fall in demand, particularly from Eskom and industrial concerns. The mild winter in Europe also affected demand, said Mr Allen Sealey chairman of Rand Mines' coal division But the major contributor to reduced profits was the strengthening of the rand.

R155

Duiker reports 45% drop in earnings

BARRY SERGEANT

EARNINGS per share at Duiker Exploration fell 45,6% from 40,8c in the September quarter to 22,2c in the quarter to December 31. Income after tax declined to R3,2m — crudely annualising to R12,8m

In its latest full year to end-August, Duiker reported a 136% increase in taxed income to R17,9m.

In the December quarter steam coal sales fell 9,4% on September quarter sales to 1,1-million tons. Anthracite sales increased 4% to 92 000 tons, while gold sales declined 16,1% to 47kg

BDay 19/1/90

(215)

Caution

No dividend was declared for the December quarter (15c for September). The latest full year dividend was 25c Commenting on the December quarter, the directors caution that revenue from sales does not accrue evenly over the year.

Duiker, a 62% Lonrho subsidiary, has a 36% associate stake in Erfdeel, managed by Anglo American's Freegold. The Duiker results show that Erfdeel's gold production increased 14,1% on the September quarter to 843kg

Erfdeel working costs increased 25,8% (more than 100% crudely annualised) to R26,3m in the December quarter, while working income plunged 60,7% in the September to December quarters to R1,2m

World first as Iscor corex plant commissioned

(215)

BDay 30/11/90

PRETORIA — The world's first commercial corex — or coal-reduction — plant for the production of liquid steel has been commissioned by Iscor at its Pretoria works

The new plant, erected by an Austro-German consortium using SA equipment and labour, does away with the use of expensive and ever-diminishing coking coal reserves

It can directly use a variety of cheaper, readily available non-coking coals, leading to a direct operating cost saving of about 25%

The new plant has an annual production capacity of 300 000 tons, but further development work could lead to a single production unit with an annual capacity of 1,5-million tons.

The corex system is cleaner and more environment-friendly with the majority of gases created being processed for further use in other parts of the Iscor works

The 35 tons of slag tapped approximately every two hours are sold to cement manufacturers.

EDWARD WEST reports that Iscor spokesman Piet du Plessis said yesterday the plant had been commissioned early in December 1989

Only Voest Alpine, the Austrian-German consortium, could disclose the cost of the project, he said

Du Plessis said the production plant's effect on Iscor's earnings was not yet known because Iscor had just taken over the plant.

The multi-million rand plant had originally started up in 1987, though it had not been commissioned then, according to newspaper reports While the process had worked well, the plant had been hit by a number of shutdowns resulting from temporary stoppages in nitrogen and oxygen supplies and materials handling failures

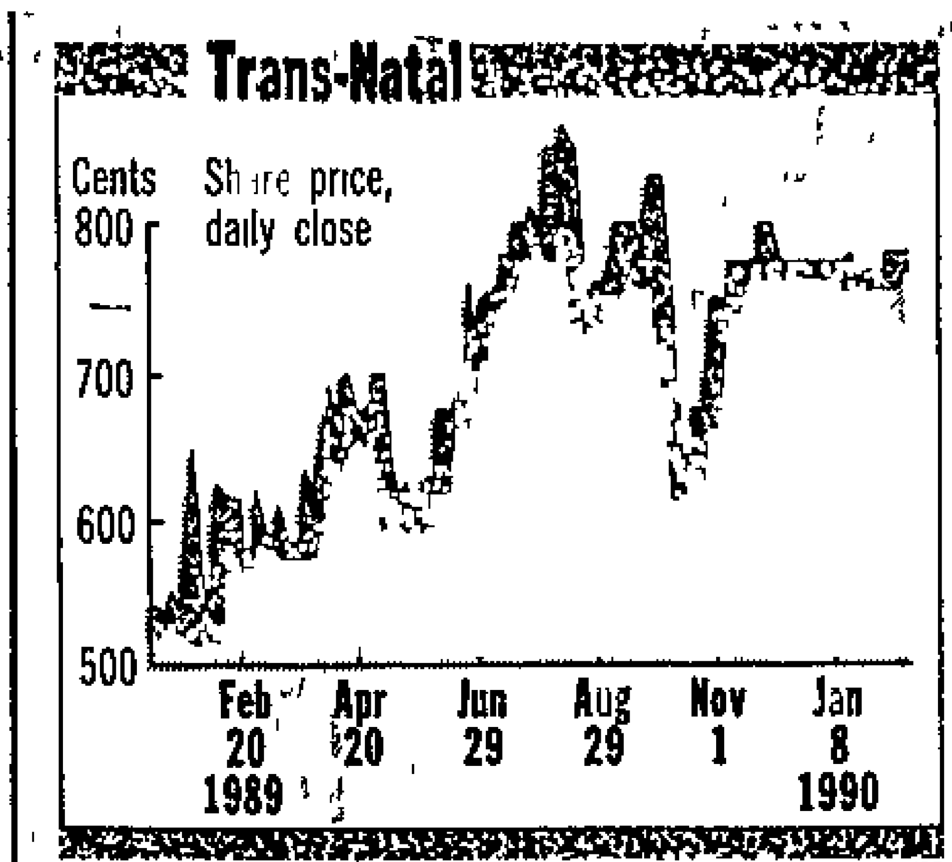
Then, on February 14 1989, the plant, still in its experimental stages, was stopped for planned maintenance, newspapers reports said

Du Plessis said there were a number of peripheral problems at the outset of the plant's development, but these were all part of a learning curve involved with the development of any project not attempted before

The problems had now been cleared up, he said

In November, Iscor MD Willem van Wyk said Iscor would consider establishing a steel semis plant in Saldanha Bay if the corex plant in Pretoria was a success

Du Plessis said yesterday this remained a possibility Plans to develop the semis plant were shelved about 15 years ago as steel prices plummeted worldwide in the wake of an oil crisis.



Source JSE

Trans-Natal lifts earnings by 112%

01001 1/2/90 RIAAN SMIT (215)

TRANS-Natal Coal Corporation has more-than-doubled earnings to 71,7c (33,8c) a capital unit in the six months to end December, and lifted its interim dividend from 10c to 20c

Attributable income increased ~~by 113%~~, from R26,7m to R56,9m, and taxed earnings by 112%, to R56,9m (R26,8m).

The company has also strengthened its financial position, with cash holdings now exceeding interest-bearing debt.

The Genmin-owned group's cash holdings increased significantly, to R160,2m, compared with R35,4m in 1988; they now exceed interest-bearing debt by R15,2m

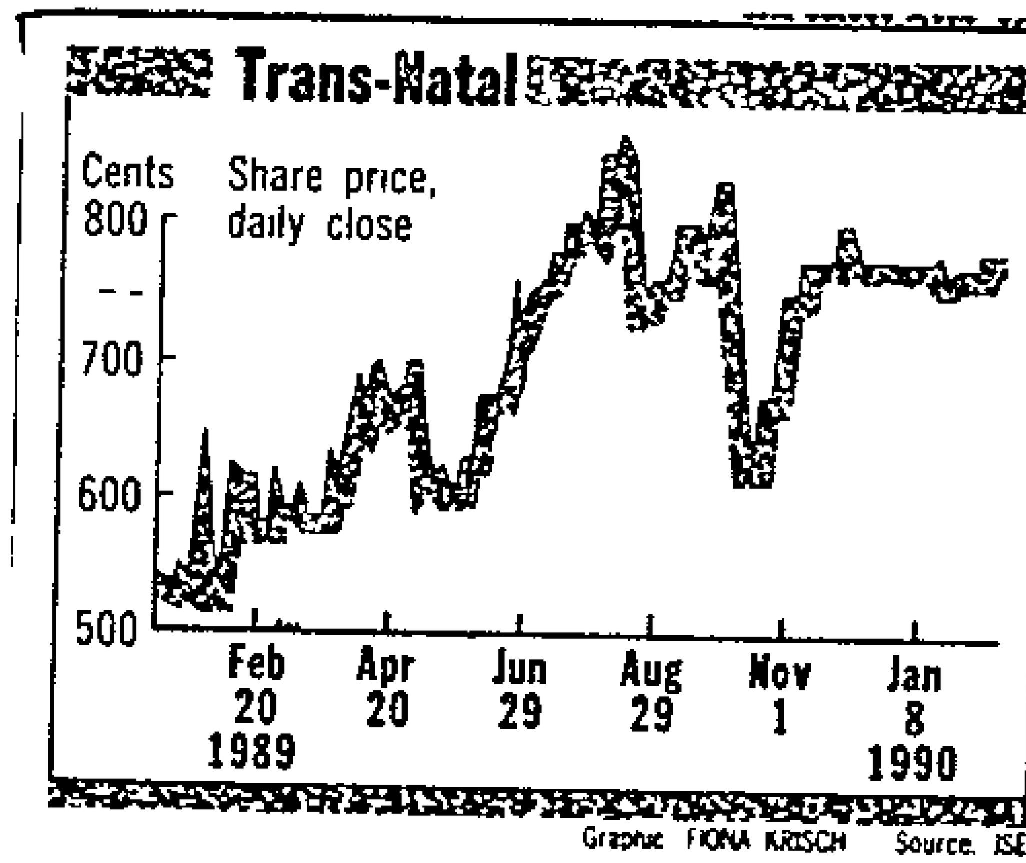
Group chairman Brian Gilbertson said cash holdings would come down a bit because of the Gloria project (to provide access to reserves at Koornfontein colliery via an incline shaft) — "but we are confident it will remain above R160m".

Steamcoal exports increased by 33%, while inland sales decreased 7% and sales to Eskom decreased by 6% Export of steamcoal and anthracite accounted for 33% of total sales, compared to 26% in 1988

Gilbertson expressed concern about the 33% increase in cost-of-sales, to R552,4m, mainly due to higher costs of increased export sales, ongoing provision for rehabilitation (R22,7m), and inflation. On a comparable sales-mix basis unit working costs rose 15,4%.

He said although results should be maintained for the second half of the year he was concerned the dollar coal price had not increased significantly.

SA coal also still suffered from the sanctions stigma in the international market, although this was easing. Contracts which expired recently had all been renewed, with an average price increase of 5% in the Far East, Gilbertson said possible, because we are denied our right



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BoE's rescue bid for Helderberg

BIDay 9/2/90

LESLEY LAMBERT

CAPE TOWN — The Board of Executors has placed its financial muscle behind a scheme to save the troubled Helderberg Retirement Village in Somerset West

In the latest of a batch of court applications to try and restore the liquidity of the cash-strapped retirement village, villager Rolf-Stephan Nussbaum has applied for the management company to be placed under judicial management and for the scheme to be converted from share-block to sectional title.

In terms of the share block scheme, 300 villagers participated by buying shares in the respondent, the Helderberg Village Share Block Holding

Nussbaum's Cape Town Supreme Court application has been postponed to February 15, the same day a separate application for the respondent's provisional liquidation is being heard

His application has been supported by the Board of Executors

The BoE has researched and approved the sectional title option and offered to secure the capital required to restore the scheme's ability to meet its current obligations

In terms of a rescue plan proposed in the legal documents, the respondent will need an additional R11m over a period of 11 months to meet these obligations

This assumes that neither bondholders of the respondent, nor the Allied Bank and Building Society — another creditor — will call up additional debts during the period of judicial management

The application has also been supported by Personal Trust, a shareholder in, and creditor of, the development company, Shemara Holdings, which was the respondent in a second provisional liquidation application last week

Shemara was given until today to reply to the application, which was brought by one of its creditors, chartered surveyers and valuers Roy Horrell and Associates for an amount of R18 984

In his affidavit, Nussbaum says the financial affairs of the Helderberg Village Share Block Holdings are in a state of disarray

He says the company is insolvent because it does not have enough cash to meet its current obligations, although it has assets valued far in excess of its liabilities.

Nussbaum argues that it is likely a judicial manager could organise the repayment of debts and the meeting of obligations.

It would also enable the respondent to become a successful concern by completing the development of the retirement village and converting the management company into a sectional title scheme

His view that the cost of excessive infrastructual facilities in the village could become more affordable if many new cottages are built and sold as sectional title, is supported by a cash flow chart drawn up by the BoE

The majority of villagers have already approved an offer by an anonymous individual to invest more capital in the village, provided villagers paid an additional R20 000 each to convert to sectional title.

Angola denies Cuban troop build-up

LUANDA — The Angolan government yesterday denied persistent media reports that Cuban troops were on their way from Cuito Cuanavale to Mavinga to reinforce Angolan forces fighting against Unita

Foreign Affairs Minister Pedro de Castro van Dunem said here the reports were aimed at justifying US military support for Unita, the Angolan news agency (Angop) reported BIDay 9/2/90

"Even people that are cautious know that Cuban troops are at this very moment north of the Lobito parallel."

Van Dunem said [illegible] forces (Fapla) had the capacity to eliminate Unita but SA intervention had prevented this in the past.

He said "Now that we are meeting each other face to face, we see that Unita does not have the capacity to defeat us"

He insisted there were no troops marching to Mavinga

Sapa reports that a group of US congressman has appealed to President George Bush to step up military aid to Unita because of the increasing conflict

The leader of the group, Republican con-

Trans-Natal income soars

Cape Times 9/2/90 (215)

JOHANNESBURG. — Trans-Natal Coal has reported attributable income at R56,9m for the six months ended December 1989, an increase of 113% on the R26,7m recorded for the same period n 1988.

An interim dividend of 20c a share has been declared

The board states this increase is due largely to an increase in sales revenue, mainly because of higher export volumes, improved dollar prices and a weaker rand/dollar exchange rate

Saleable tonnage in the period under review, compared with the corresponding period in 1988, increased by 3% to 15,5m tons.

Steamcoal exports increased by 33%, while inland sales declined by 7% and sales to Eskom dropped by 6%

As a result of these factors, export of steamcoal and anthractice accounted for 33% of total sales compared to 26% in 1988.

Trans-Natal increased operating income by 82% to R128,6m.

The company states that if the current market circumstances do not change significantly in the next six months, and if the rand does not strengthen materially from its current level, the profits achieved in the first half should be maintained in the second

In the six months under review, cost of sales increased by 32,6% to R552,4m, mainly because of the higher costs associated with increased export sales, ongoing provisions for rehabilitation (R22,7m for period under review) and the effect of inflation on working costs. On a comparable sales mix basis, unit working costs rose by 15,4% — Sapa

Trans-Natal comes up smiling

STAR 9/4/90 (215)

By Derek Tommey

Trans-Natal, Gencor's coal producer, continued its dramatic recovery in the six months to December, doubling earnings and the interim dividend.

Operating income rose 82 percent to R128,6 million, pre-tax profit rose 127 percent from R41,2 million to R93,7 million, and attributable income more than doubled from R26,7 million to R56,9 million.

Earnings a share rose from 33,8c to 71,7c and an interim dividend of 20c (10c) has been declared.

The results represent a sharp turnaround from the situation in the six months to December 1987, when earnings were down to 5c a share and the interim dividend was passed.

Sales tonnage increased by a mere three percent, but sales revenue rose 39,7 percent as a result of higher export values, improved dollar prices and a weaker rand.

Steam coal exports rose 33 percent, while inland sales decreased by seven percent and sales to Eskom dropped six percent.

The cost of sales rose 32,6 percent to R552,4 million, mainly as a result of the high costs associated with increased export sales, rehabilitation expenditure and inflation.

One of the mine's short-term goals is to build up cash holdings. At end-December they totalled R160,2 million, exceeding interest-bearing debt by R15,2 million

They have now reached R250 million — equal to a goodly part of the company's market capitalisation of R600 million.

However, the accelerating capital programme will reduce cash holdings. R313 million is to be spent on the Gloria project at Koornfontein Colliery, which should be completed by 1994.

S/Times 11/2/90

(215)

Trans-Natal goes for high price, low sales

By Julie Walker

TRANS-NATAL could be in the pound seats if it rebuilds the markets it lost through sanctions a few years ago.

In the six months to December, Gencor's coal arm raised earnings by 112% to R57-million — 71,7c a share — on turnover which climbed by 40% to R681-million The dividend was doubled to 20c.

That better prices were achieved is clear from the tiny rise in tonnage sold. The total of 15,5-million tons was only 3% higher than in the previous year, but exports were 31% up at 5,1-million tons. Sales to Eskom and inland buyers fell.

Trans-Natal chairman Brian Gilbertson favours smaller sales volume at higher prices. He says coal prices are creeping along, most of Trans-Natal's contracts with Far Eastern buyers being renewed at an average increase of 5%.

The same rise is being secured by American and Australian sellers, but SA suppliers are already prejudiced by coming off a lower price base — the political discount.

Mr Gilbertson says that already — after President De Klerk's landmark speech a week ago — a new mood is discernible among foreign customers.

Many buyers arrange options which allow them to increase or reduce the amount bought from Trans-Natal. Now they are worried that Trans-Natal will not be able to give them all the coal they might like. The ex-customers know that it has found other markets

Torbanite

Mr Gilbertson says Trans-Natal could increase its capacity to meet demand. In view of his lower-volume, higher-price leaning, the group would probably do so only at the right price.

The carrying capacity of Sats will be about 46-million tons of coal a year

"Foreigners like our coal. It provides a balance with Australian suppliers. It is a good, cheap product"

The cost of sales rose disproportionately because coal for export has to be washed and transported In absolute terms, total costs rose by 33% to R552-million, but Trans-Natal says that on a comparable sales mix, the notional rise was 15,4%.

Its last R4,1-million investment in the defunct torbanite project was written off

The group's cash will be maintained at R160-million. Mr Gilbertson says Trans-Natal currently has R250-million in the bank.

"Almost half the market capitalisation of R620-million is represented by cash."

The board revised the mining plan for the Gloria reserves, which project will be completed in four years at an escalated cost of R313-million

Trans-Natal aims to repeat the first-half performance providing the rand does not rise much from its current level. The record earnings of R120,7-million in 1986 will not be reached.

The share was bid at 780c on Friday — 200c higher than a year ago but 85c below the August price

F|M 16/2/90 (215)

TRANS-NATAL COAL F/M 16/2/90

Steady recovery (215)

Increased export volumes made all the difference to Gencor's coal-mining arm, Trans-Natal Coal Corp, in the six months to end-December. The group's excellent results have allowed chairman Brian Gilbertson to strengthen Trans-Natal's balance sheet further.

The aim of building cash holdings greater than interest-bearing debt has now been achieved. Trans-Natal's cash balance of R160,2m at end-December compares with interest-bearing debt of R145m. Gilbertson says that since year-end cash holdings have risen to R250m but this level will not be maintained. Funds need to be committed to mine expansions to maintain and expand production. Cash balances are, however, expected to remain above R160m.

Critical during the interim period was hitting the planned rate of export tonnages through Richards Bay after the problems that caused a backlog on exports in the first half of calendar 1989.

That was achieved with exports reaching 5,1 Mt in the six months to December, compared with 4,4 Mt in the six months to June and 3,9 Mt in the six months to December 1988 Not all that tonnage went through Richards Bay Coal Terminal because Trans-Natal also exports coal and anthracite through Maputo and Durban Gilbertson says the group is on track to achieve its target of 9,3 Mt of steam coal exports for the year to June.

The higher export tonnage boosted sales revenue 39,7% to R681m (R487,3m) but the cost of sales jumped 32,6% to R552,4m (R416,5m), which is one of few worrying aspects about Trans-Natal's performance. Gilbertson says cost of sales jumped because of the higher proportion of export coal sales to local sales. The quality of export coal has to be upgraded through washing, with the product then railed to Richards Bay. Coal supplied to Eskom does not have to be upgraded and is sent on conveyor belts to power stations near collieries.

However, after adjusting for these factors, Trans-Natal's unit working costs still rose by an unsatisfactory 15,4% despite attempts to curb the rate of increase.

TNC GLOWS

Six months to	Dec '88	Jun '89	Dec '89
Coal sales (Mt) ..	15,0	15,2	15,5
Turnover (Rm) .	487,3	573,9	681,0
Pre-tax profit (Rm)	41,2	30,2	93,7
Attributable (Rm)	26,7	57,5	56,9
Earnings (c) .	33,8	42,6	71,7
Dividends (c)	10,0	20,0	20,0

TNC's Gilbertson ...
cautious on export outlook

With sales to Eskom declining, Trans-Natal's prospects are becoming even more dependent on the export market. Gilbertson forecasts the more-than-doubling of interim earnings will be maintained for the full year and, hence, the doubled interim dividend That suggests a total payout of 60c to put the share on a prospective yield of 6,5%

That forecast depends on export market conditions and Gilbertson is not greatly enthusiastic about the outlook He is concerned about effects of future coal oversupply and the weak position of exporters still suffering from a political discount on prices He points out the supposed strength of the world coal market is not being reflected in prices. "I've been a voice of doom for sometime but, fortunately, so far I've been proved wrong," he says

I suggested in August that Trans-Natal share looked fully priced at the then-ruling level of 850c and see no reason to change my mind with the shares at around 925c.

Brendan Ryan

Coal and steel exporters start counting the days to the end of sanctions

Steel and coal producers are hoping political change will regain them the markets they lost when sanctions were imposed ANN FRIEDMAN reports

COAL and steel are two industries which will be watching political developments carefully in coming months

Both were severely affected by the imposition of sanctions in 1985 and 1986 And although they have found new export markets, they are hoping the lifting of sanctions will allow expansion and/or improve profits in the medium to long term

For steel producers, higher exports could mean they could expand capacity The coal mines, on the other hand, hope for higher prices — they have had to increase exports by lowering prices, offering a "political discount" on their coal

Highveld Steel chairman Leslie Boyd said this week "The far-reaching announcements made by State President FW de Klerk at the opening of parliament will not only have a positive impact on the South African economy, but should also lead ultimately to the lifting of sanctions and the reopening of Highveld's steel markets in North America and the EEC"

Anglo American's Highveld, South Africa's second largest steel producer after Iscor, increased its after-tax profits for the year ended December by a whopping 165 percent to R322-million, in large part as a result of export earnings from steel and particularly from vanadium More than 60 percent of Highveld's sales of R1,6-billion in 1989 came from exports

Vanadium has not been affected by South Africa's political status in the world as it is regarded as strategic by most countries Highveld produces 40 percent of the world's vanadium and so can set its own terms

But with sanctions, the South African steel industry lost access — at least officially — to what were at the time its most important markets, in the United States and Europe

Since then it has found new markets, particularly in the Far East, in a context in which the world market for steel has been growing rapidly. Last year it reached a record 791-million tons, 9-million higher than in 1988

Thanks to exports and strong domestic sales, Highveld's rolling mills and iron and steel plants were running at full capacity last year A one percent downturn in the world steel market is expected this year, as is a slowdown in the domestic market. But Highveld is still looking healthy.

So is Iscor, which is due to release its interim results next month, the first since it was privatised in November. Analysts expect the corporation, which produces more than three quarters of South Africa's steel, to be on target to meet its forecast 20 percent growth in earnings for the year.

So it seems that, if sanctions were to be lifted, the South African industry would have to be looking at increasing capacity

This might be the case for the coal industry too But what coal producers want most is higher export prices The "political discount" varies from country to country, but is as high as 10 to 20 percent on ruling market prices

Their ability to increase volumes immediately would be limited, because the bulk of coal exports go through the Richards Bay Coal Terminal At the moment it can move 44-million tons a year, although it is increasing capacity to 48-million tons It has plans to raise this still further to 53-million tons, assuming export prospects improve.

But if political developments did change the sanctions scenario, this would not necessarily affect the South African industry immediately — coal contracts with the big buyers (particularly the public utilities such as Enel in Italy, the equivalent of our Eskom) are negotiated for a year in advance Contracts with European buyers have already been concluded for this year. Negotiations with the Japanese are

Highveld's Leslie Boyd

due at the end of this month.

Three countries which specifically imposed sanctions on South African coal were Denmark, France and the US — together they had accounted for one quarter of the country's exports prior to 1986 In several other countries, state-owned public utility companies stopped buying South African coal Japan was an important market and became more so after 1986 But that country's Ministry of Trade and Industry (MITI) froze imports from South Africa at 1987 levels in money terms This has meant export tonnages to Japan have dropped

Japanese buyers showed some enthusiasm following De Klerk's speech, enquiring about options to increase their tonnages, according to Trans Natal Coal chairman Brian Gilbertson But it's not clear that any of this will affect export prospects — Gilbertson is cautious

But the fact that South African coal mines have been successful in finding new export markets was highlighted by Trans Natal's interim results, released last week.

Bottom line profits, at R56,9-million for the six months to December, were 113 percent higher than in the same period in 1988 "This increase is due largely to an increase in sales revenue, mainly because of higher export volumes, improved dollar prices and a weaker rand/dollar exchange rate," said parent company Genmin (Gencor mining) Exports of 5,1-million tons made up one third of total tons sold, compared to 26 percent for 1988

Trans Natal is the most export-dependent of the coal mining houses — and has therefore been most vulnerable to sanctions Anglo American Coal (Amcoal) and Rand Mines' Witbank Collieries have much higher domestic sales, most of this to Eskom

Trans Natal's fortunes plummeted in 1987 and 1988 This was not only due to falling exports but to problems in the structure of the company.

And for South Africa's coal industry, sanctions in that period simply exacerbated the situation on world coal markets, where there was oversupply But markets have since swung into balance

Coal export volumes dropped from over 45-million tons in 1986 to 42,5-million tons in 1987 They then increased by one percent to 43-million in 1988

South African coal producers too have found new markets in the East and South East Asia A significant amount of South African coal is also said to travel to Eastern Europe, although this trade goes through middlemen and predates sanctions

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Warning on mines' effect on farming

GERALD REILLY

PRETORIA — A large area of agricultural land in the eastern Transvaal highveld could be seriously disturbed by mining development in the region, Agriculture Minister Jacob de Villiers said yesterday.

Speaking at a crop production farmers day at Wildebeestfontein, he said the exploitation of coal for power production and the petrochemical industry had an important influence on the agricultural industry in the eastern Transvaal highveld.

About 50% of the electricity generated by coal-fired power stations in SA was produced in the region.

About a million hectares of high potential agricultural land was underlaid by exploitable coal deposits in the region.

The coal was at depths which varied from 150m to 200m. This meant a large percentage could be worked on an opencast basis.

The implication was that a large surface area of agricultural land could be disturbed and would have a direct impact on the industry's production.

For one thing, the quantity and quality of water would be adversely influenced by mining activities.

However, mining had brought prosperity to the area and it would be a selfish policy to reserve the resources for the exclusive use of agriculture, De Villiers said.

□ He said maize marketing problems were being investigated by government, and as a result government had already agreed to assist the maize and grain sorghum boards in the redemption of "negative balances in their stabilisation funds".

Quick longwall move

AMCOAL's New Denmark colliery has set a South African record by moving a longwall mining system in eight days — four fewer than its previous best.

The movement of thousands of tons of equipment and roof supports to a seam 3km away was speeded by the use of a Hornet project management computer system (215)

Planning was the key to the fast move, says Amcoal senior project planner Tony Smith STimes 4/3/90

It

adjust. It would have to recognise its social ... also have to

...pment policy would also have to provide for increased co-operation with the rest of southern Africa.

Frigate achieves forecasts

B/Day 5/3/90 (215)

LINDA ENSOR

MINING group Frigate has achieved its prospectus forecasts and has declared a maiden total dividend of 2,2c.

Frigate is involved in mining and selling coal and other minerals, as well as plant hire.

It came to the JSE in October last year, achieving earnings of 20c compared with a forecast 15,1c.

These earnings and the bottom-line profit of R5,1m (as forecast) include an extraordinary item of R375 000 (forecast abnormal items R1,1m) from a mineral rights sale.

The bottom line also benefited from no tax being paid, although interest and finance charges were a hefty R4,9m — 52% of the R9,7m operating profit.

Turnover was lower than the forecast R72m at R63m, while improved margins increased operating profit.

Because of a change in the year-end, no comparative figures exist for 1988. But for the year to end-June 1988 attributable profit totalled R3,8m on turnover of R30,6m, and for the 18 months to end-December to R7,3m and R86,7m respectively.

Correction to Relly report

Mining will have 'minimal effect'

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PIERRE DU PREEZ

AGRICULTURAL land in the eastern Transvaal should be minimally affected by mining, Chamber of Mines Safety and Technical Services manager Johan Greeff said yesterday.

He was responding to a statement by Agriculture Minister Jacob de Villiers that agricultural land in the area could be disturbed by mining.

Greeff said the area comprised about 4,8-million ha of high, low and medium potential agricultural land. About 1-million ha of this ground was underlaid by mineable deposits of coal and only 409 000ha was exploitable by high extraction coal mining.

Only 8,9% of this agricultural land would be subjected to high extraction mining over a period of 100 years, Greef said.

B/Day 5/3/90

R25m coal contract

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RICHARDS Bay Coal Terminal (RBCT), the world's largest coal-handling facility, has awarded a R25-million project management contract to SWF Technologies and Engineering Management Services (EMS)

The two companies will work on the terminal's R136-million upgrade project scheduled for completion next year. St Times 11/3/90

Genmin 'heads for elephant country'

B Day 14/3/90

RIAAN SMIT

TO HUNT elephant, go to elephant country, new Genmin chairman Brian Gilbertson told the recent Frankel Kruger investment conference shortly before he succeeded Steve Ellis on March 2.

He quickly explained that he was referring to an old saying used by exploration geologists to guide their efforts

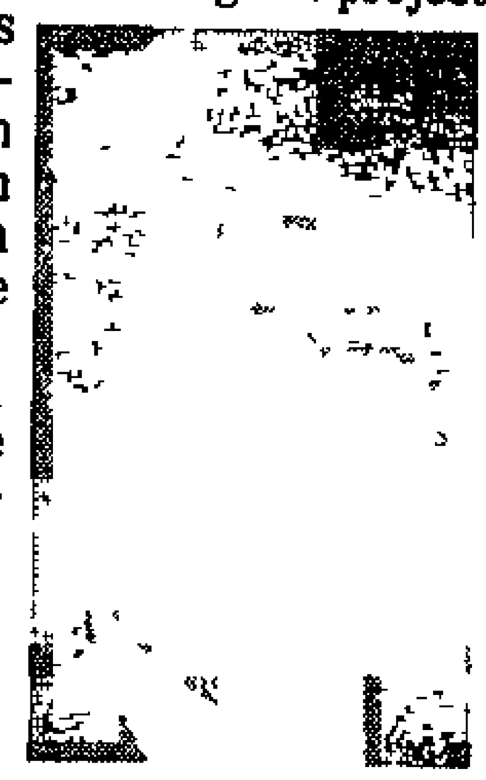
"By extension . if you wish to make new mining investments, go to mining country. Southern Africa is surely the greatest mining country in the world," he added.

When asked in an interview last week what factors he saw inhibiting growth of Gencor's mining arm, which has just celebrated its first year as a separate division, he replied with a grin "I didn't know there were any obstacles."

He said the biggest obstacle in gold mining was finding deposits that were financially viable "at today's relatively depressed rand gold price", high tax rates and ring-fencing

If ring-fencing was lifted, it would be easier to finance large and expensive ventures

"When you have to put down R2bn on the table in order to get a project going, it is much less attractive than putting down half of it with a tax shield," he said



● GILBERTSON

Gilbertson said in the areas of the industry which were more supply/demand driven, such as platinum, ferro-alloys and coal, it was a question of trying to get the capacity and production to grow in line with what was appropriate in the market place and to do it cost effectively

The important area in which decisions would be made in the next few years was "clearly in Samancor with the stainless steel project decision due mid-year"

"In the rest of the ferro-alloy industry, we are cost competitive with anyone in the world," he said

Gilbertson, who completed an MSc at Rhodes University in 1969, got an MBL from Unisa in 1973 and joined Gencor in 1988 as executive director after 17 years with JCI, said "How our prices for coal compare with overseas producers is an unfortunate part of our business"

He said he would rather under supply and see a higher price than expand output

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"SA coal still has a substantial political discount attached to it. I say political discount because it actually emerged and grew very large when sanctions were imposed"

He said when SA lost markets in Europe the competition for market share rose and the prices came down and did not recover

Trans-Natal in joint coal project

Star 14/3/90 The Star's Africa News Service 215

MAPUTO — Mozambique and the Gencor subsidiary Trans-Natal Coal have signed a contract in Maputo under which the South African firm will take part in the development of coal mines in the north-western province of Tete.

Also involved in the project are the British multinational company Lonrho and the Brazilian mining company Companhia do Vale do Rio Doce

A spokesman for the Mozambican Government said the South African and Mozambican sides of the project were involved in the mining while the Brazilian company was responsible for technical aspects of the project.

The total investment needed in the Moatize mines and related infrastructure was estimated at $1,5 billion. This would cover the opening of new mines, the repair of the 500 km railway from Moatize to the port of Beira, the upgrading of the Beira port coal terminal and the building of other industrial infrastructures in Moatize, Beira and along the railway

The Mozambican Government hopes to be able to mine at least seven million tons of coal a year at Moatize.

The existing mines were producing over 500 000 tons in 1981 but this figure fell to 63 000 tons in 1989.

Coal reserves in the Moatize are estimated at 3 000 million tons.

Commercialisation pushes up tariffs 215

EDWARD WEST and BARRY SERGEANT

TRANSNET's mooted 30% hike in Richards Bay rail tariffs has been directly linked to the organisation's planned "commercialisation" ahead of privatisation in the longer-term. BDay 26\3\90

In an interview, Amcoal chairman Graham Boustred said an increase was expected, but that 30% would be double Amcoal's budgeted 15% "The mooted increase is still being discussed"

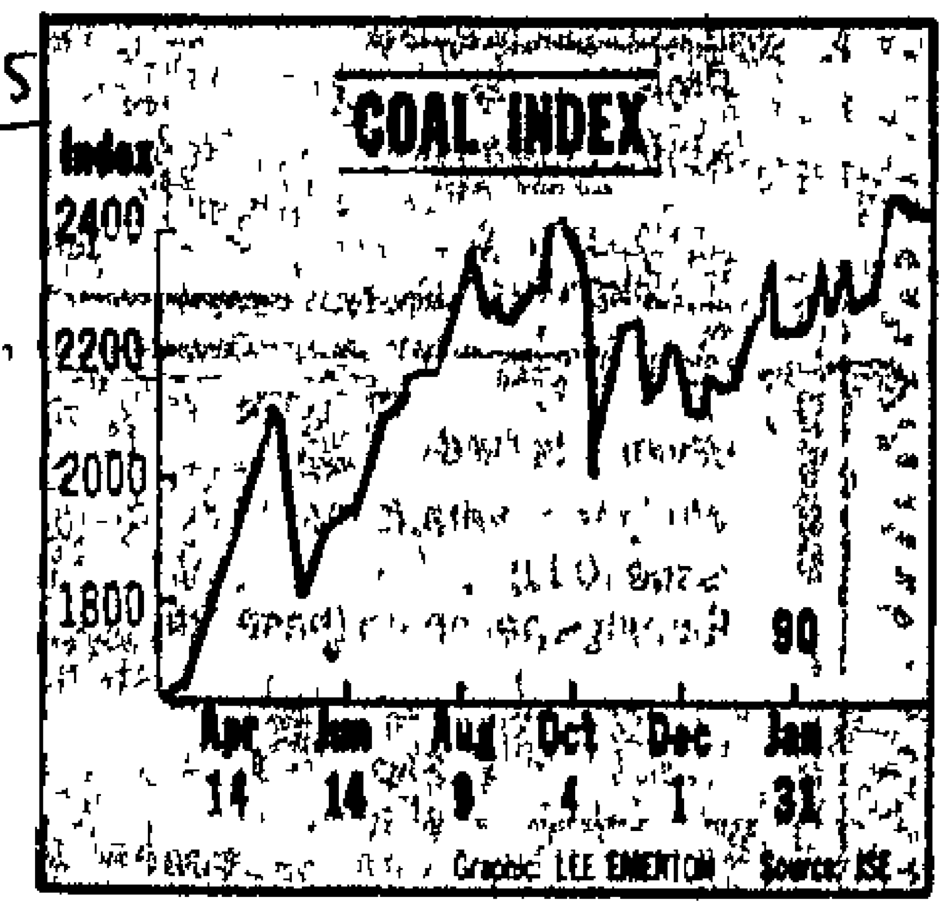
Transnet marketing business manager Andre Heydenrych said the 30% increase and increases for about 400 other rail freight contracts were being negotiated.

They were expected to take effect on April 1.

Boustred said "Transnet, ahead of commercialisation, has a huge pension fund deficit Secondly, it is looking at return on assets employed — again, because it's being commercialised — and not just debt service components. In principle, Transnet has to make a profit

Industry sources said that with a rail

☐ To Page 2



Richards Bay

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tariff increase on the cards, the fact that the Richard's Bay coal terminal (RBCT) is already being used to capacity adds to the possibility of further coal mining cost squeezes during 1990.

Coal mining analyst Keith Bright said the the coal terminal was running at full capacity of 44,5-million tons with the terminal only expected to increase capacity to 48-million tons by December 1991

With domestic demand from Eskom and Sasol not expected to show much growth this year, coal companies would not be able to export significantly increased volumes to maintain the substantial earnings growth of last year, he said.

Boustred said the stability of the coal dollar price and the rand meant increased costs would start eating into profit margins.

Bright said all export capacity had to be fully utilised to prevent unit costs cutting into profit margins

The international coal price, it was forecast, would be under pressure during 1990, he said.

Boustred forecast that coal mining companies would either maintain or decrease earnings during 1990.

Coal mining companies had a bumper year during 1989 — as reflected by the coal index — because many international producers had production problems

Heydenrych said that with Transnet due to become a public company, it found that not all costs had been accounted for.

Assets were being revalued, pension fund shortages had to be taken into account, a return on investment on the Richards Bay railway coal route was necessary and there was a drive to achieve greater parity between Transnet's salary structure and the private sector.

The Richards Bay terminal route was the only one which did not give a return on investment, he said

FINANCE

B/Day 2/4/90

Limited prospects for coal exports

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EDWARD WEST

MAJOR increases in coal exports from SA were unlikely, and expectations in the early 1980s of exports running between 60-million and 70-million tons annually would not be realised before the turn of the century.

This was concluded by Rand Afrikaans University Institute for Energy studies director D Kotze at the 1990 Coal Outlook conference last week.

Kotze said SA had prided itself as being the cheapest coal producer in the world. However, this advantage had been eroded by high inflation, and but for the weakened rand SA would have priced itself out of the international market.

The high inflation in SA resulted from distributing more income without an accompanying increase in productivity. Labour reforms would introduce further problems.

On top of these factors, rapid escalation of rail rates undermined competitiveness.

The average mine's cash cost was around R28/ton. Add to that R30/ton in transport costs, which was likely under a privatised Transnet, and one was left with R7 to R15 a ton to service capital, Kotze said.

Assuming a 30-year project life and an 18% per annum discount rate, a provision of R29/ton was required to recoup capital. At present FOB prices there was no incentive for the industry to invest in new production capacity.

Furthermore, oil prices were expected to increase only modestly in real terms in years to come, which was not a bullish factor for coal.

However, Davis Borkum Hare technical analyst Dana Wakefield said present factors bidding the good fortune of coal exports were the rand's decline, and successful marketing drives.

Other plus factors were a decline in international stockpiles leading to higher international prices Australia and China faced strikes and disruptions while Colombia was hit by floods and quality control problems. Australia and China had not been able to deliver the goods to some of the markets won from SA.

Overseas demand would grow between 2% and 4% annually, but SA could participate only if sanctions were lifted. In the current political climate, this was becoming a possibility, Wakefield said

Kotze felt the liberation of Eastern European countries provided many opportunities for SA coal.

The industry would have to operate by seeking only strategically located prime deposits, which would allow growth without large infrastructural investments. The use of low cost operating methods was needed.

Move against 600 striking mineworkers

Amcoal Colliery and Industrial Operations on Sunday obtained an urgent interdict to stop 614 workers at Kriel Colliery from further participating in an illegal strike

Pretoria Supreme Court judge Mr Justice Roos granted an interdict against the National Union of Mineworkers and 614 employees of the Kriel Colliery, directing the union to comply with the provisions of the disputes procedure and the Labour Relations Act

The 614 employees, who embarked on an illegal strike last month, were interdicted from conducting strike action in breach of Section 65 of the Labour Relations Act, or encouraging other persons to do so, interfering with the operation of the colliery's business, promoting racial friction, and interfering with of the colliery's employees.

Mine manager Mr Anthony Redman said the strike followed an incident on March 13, when a mineworker, Mr S Mbuyazi, assaulted an employee, Mr J de Jager.

Mr Mbuyazi was found guilty of assault and, after a lengthy appeal, was dismissed on March 20, the court heard. — Sapa

Star 3/4/90

Coal miners back at work after interdict

BDay 4/4/90

ADELE BALETA

MORE than 600 striking workers at the Kriel mine of Amcoal Colliery and Industrial Operations returned to work on Monday after the Anglo American subsidiary obtained an urgent Supreme Court interdict preventing them from further illegal strike action

Amcoal spokesman Paul Clothier confirmed Mr Justice Roos of the Pretoria Supreme Court had granted an interdict against the NUM and 614 members on Sunday, ordering the union to comply with the provisions of the disputes procedure and the Labour Relations Act

The workers were interdicted from conducting strike action in breach of the LRA, or encouraging others to do so, interfering with colliery operations, promoting racial friction and intimidating or interfering with employees

(215)

The union and the miners have until April 24 to show cause why a permanent interdict and costs should not be granted against them

Sapa reports mine manager Edwin Redman said, in an affidavit supporting the application, that the strike followed the assault on white employee J de Jager by black mineworker S Mbuyazi on March 13

Mbuyazi was found guilty and, after a lengthy appeal, dismissed on March 20

On March 17 workers went on strike, demanding the removal of De Jager

Coal mine fire won't go out . . .

Star 7/4/90 (215)

SUE OLSWANG

THE underground fire which has smouldered unchecked in a disused coal mine close to Witbank since 1982 has now spread over an extensive area and has become virtually impossible to extinguish by direct attack.

A spokesman for the Transvaal and Delagoa Bay Company (T&DB) said that attempting to fight the fire directly would be dangerous and the cost would run into millions of rands. Final success, he said, would also be very unlikely judging from experiences elsewhere in the field

Obligations

"We are currently fulfilling our obligations to the Department of Mineral and Energy Affairs to contain the fire within the limits of the mining area and we will be monitoring it on a continuous basis," the spokesman said

"In due course subsidences will be filled in and the land levelled, initially to a limited extent, with discards from a dump on the property which is currently being processed"

The spokesman said all the houses on the property had been vacated and the empty structures were due to be demolished soon

"Our fundamental concern in the area has been to avoid possible injury to persons, even possible loss of life," he said

Defiant families who initially refused to leave their old village houses on top of the burning coal mine have since given up their fight and left the area.

Rand Mines originally refused to accept any liability for the families, but later backed down and agreed to pay the villagers an ex gratia amount of R5 000, which was half of what the villagers had sought as payment.

In terms of a court ruling, the remaining families had to be out of their houses and off the condemned old T&DB colliery within 24 hours.

The Rand Mines agreement, however, gave the families until the middle of March

No funds

Mr Wynand van Wyk, the Conservative Party's MP for Witbank, recently told Parliament that Witbank desperately needed help to extinguish the fire

He said the blaze was coming closer to the town and a disaster was in the offing.

The Witbank Town Council has tried several methods to stop the fire, but all attempts have failed and the council no longer has funds to continue

Modest increase in SA's share of world coal market expected

EDWARD WEST

SA's share of the world coal market is expected to show a moderate increase by the turn of the century, while Australia's share is expected to decline, according to a Minerals Bureau study. BDay 9/4/90

The comparison of Australian and SA export coal price trends quotes US Energy Information Administration data which show that SA's world coal market share is expected rise from 12,4% (43-million tons) in 1987 to 13,6% (56-million tons) in 1995 and to 15,8% (76-million tons) by 2000.

Australia's share is expected to rise from 29,3% (102-million tons) in 1987 to 31,1% (128-million tons) in 1995, but then fall back to 29% (140-million tons) by the year 2000.

The report says that together, SA and Australia play an important role in the world coal market as they hold a major share of the market in the Far East

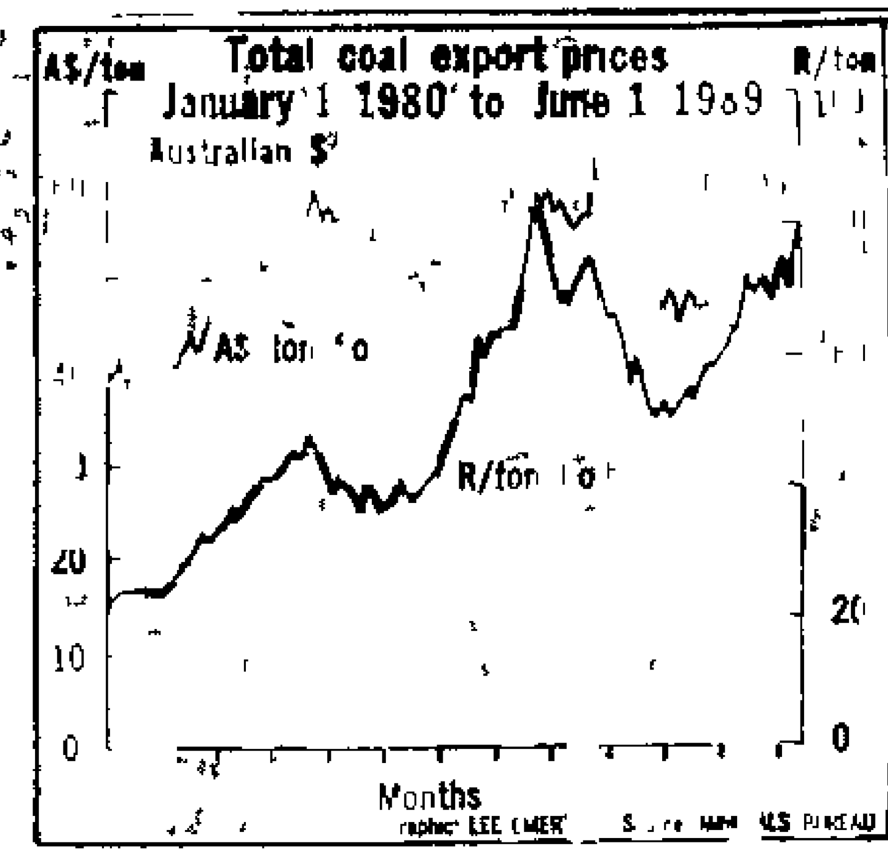
During 1989 SA exported about 47-million tons, putting it in third place — and behind Australia — in the international coal suppliers league, Rand Afrikaans University Institute for Energy Studies director D Kotze said at a recent coal conference.

In Europe, Germany received 2,7-million tons, Belgium 2,3-million tons, Ireland 4,3-million tons, Spain 4,4-million tons, Turkey 1,2-million tons, the Netherlands 1,4-million tons and Britain 300 000 tons of SA coal during 1988.

SA exported 2,9-million tons of steam coal to South Korea in 1988, 4,3-million tons to Taiwan, 4,6-million tons to Hong Kong and 2,2-million tons to Japan, according to International Energy Agency figures quoted at the conference.

SA rates third in terms of international coal mining productivity.

Last year SA mined 402 tons of coal a man-month while Australia rated second mining 474 tons a man-month, says the Minerals Bureau's March bulletin New Zealand leads the coal mining productivity league with 511 tons a man-month



SA emerges as major international steam coal market player

BDay 18/4/90

215

EDWARD WEST

SA EXPORTED 39-million tons of steam coal in 1988 and in the space of a few years has emerged from relative obscurity to become a major international supplier.

The largest international steam coal trader in 1988 was Australia which exported 42,4-million tons SA exported 39-million tons while the US exported 29,9-million tons, Rand Afrikaans University Institute for Energy Studies director D Kotze said at a recent coal conference.

He said 20 years ago SA exported less than 2-million tons of coal a year. In 1989 SA exported approximately 47-million tons of steam and hard coal.

Kotze said although there was little agreement on how steam coal trade would grow in the future, it was generally expected it would increase by between 5% and 6% annually for the next five years.

Official SA export statistics on countries of destination are not released, but Kotze quoted figures from the International Energy Agency.

A Witbank Collieries' spokesman said last week SA still achieved some of the lowest prices for coal on the international market. This was to a large extent due to the political discount on SA international prices.

This discount varied between US$4 and US$7 a ton depending on which market SA was supplying. Improved world prices and an improved political climate would stimulate new coal-mining investment in SA, he said.

tors also demanded the immediate resignation of

Doctors yesterday said they were only going to

Coal price goes up

(215)

By SY MAKARINGE

THE price of coal in the Transvaal has been increased by between 18 and 22 percent as the country braces itself for yet another chilly and wintry season.

A member of the Soweto Coal Merchants association said this week the price was increased from R7 a bag to R9.50 with immediate effect.

Mr N D Kets, managing director of Southern Coal in the Transvaal, said in a letter to all coal merchants in the province that the increase was "in line with inflation pertaining to mining and in particular, to the steep rise in costs of labour, equipment replacement etc.' Sowetan 11/4/90

The increase affects all black townships in the Transvaal.

Coal longhaul record broken

B/Day 12/4/90

(215)

EDWARD WEST

AMCOAL's New Denmark colliery broke SA's coal longhaul production record when it produced 246 866 tons of coal from the West longwall on a 2-metre seam in March.

The previous record was held by Brandspruit colliery which produced 222 350 tons in one month in 1986 on a 3,2-metre coal seam, New Denmark chief engineer Warren Mathews said.

New Denmark was the first Amcoal colliery to use longwall mining and its introduction had not been easy.

Mining teams had to come to grips with highly mechanised equipment and a mining culture strange to operators, Mathews said

A T Coll raises final dividend to 132c

EDWARD WEST

ANGLO-Transvaal Collieries (A T Coll), the sole investment of which is its 15,6% interest in Witbank Colliery, has raised its final dividend to 132c a share, compared with 112c last year.

This brought the year's total dividend to 367c (250c) a share — an increase of 47%. BDay 17/4/90

The company declared a final dividend of 10,57c (8,96c) a share on its participating preference shares, bringing the total dividend to 29,37c (20c) a share 215

A statement said both dividends were payable to members registered at close of business on May 4 and warrants would be posted on or about May 25

Wit Cols does well

ST 17/5/90

215

Witbank Colliery (Wit Cols), RM's coal mining arm, produced strong results in the six months to March, compared with the same period a year ago. An interim dividend of 210c (175c) was declared

"The strong results have been achieved despite a higher rand-dollar exchange rate of R2,62," says Allen Cook, deputy chairman of the coal division.

Taxed profit in the March quarter rose 12 percent to R44,4 million, representing a net working profit of R10,81 a ton (December quarter 952c)

While actual working profit of R58 million was 30 percent greater than in the previous quarter, net sundry expenditure of R13,7 million (December: R4,8 million) was considerably higher because of finance charges incurred on the borrowing necessary for the acquisition of a stake in Middelburg Mines from BP.

Anglo-Transvaal Collieries — whose sole investment is a 15,6 percent stake in Wit Cols — raised its final dividend from 112c to 132c a share. This brings the year's total to 367c (1989 250c) a share.

Substantial increase in coal exports likely

Sta 18/4/90

Diagonal Street
225
SVEN LUNSCHE

South Africa's share of the world coal market will increase substantially this decade according to two separate surveys by the Department of Mineral and Energy Affairs and stockbrokers Davis Borkum Hare.

Both analysts predict that SA coal exports over the next ten years could rise considerably from last year's level of 45,5 million tons, given an expected increase in international demand from about 310 million tons last year to 525 million tons by the year 2000.

The Department of Mineral and Energy Affairs forecasts that SA's share of the worldwide export market could rise from its current levels of just over 12 percent to 13,6 percent by 1995 and to 15,8 percent by 2000.

In nominal terms this could see exports of 56 million tons by the middle of the decade (comprising steam coal sales of 51 million tons and metallurgical coal sales of 5 million tons) and 76 million tons by 2000 (steam coal sales of 69 million tons and metallurgical coal sales of 7 million tons).

Dr Manny Pohl of Davis Borkum Hare is less optimistic, but still expects compound growth of around 2,5 percent a year over the next ten years.

He puts forward two possible scenarios — a high case and a low case outlook — with the deciding factor between the two being the lifting of sanctions.

In Dr Pohl's high case scenario exports total 62,1 million tons by 1995 and 68,5 million tons by the end of the decade. The respective figures for the low case are 55,5 million tons and 62,1 million tons.

"The demand for steam coal should continue to grow steadily because, even with low oil prices, coal is still the most viable option.

"It has been suggested that the Richards Bay coal terminal should be further increased to a secured throughput of 53 million tons, but this would not be without risk," Dr Pohl says.

"Although overseas demand will grow by between two and four percent a year, South Africa's overseas participation will only be possible if sanctions are lifted, which does appear possible given the current political climate."

In the short-term Dr Pohl is optimistic that South Africa can at least maintain 1989's export level of 45,5 million tons this year.

He lists a number of factors which bode well for the coal industry this year (despite the fact that some traditional markets for SA coal were taken over by Australia and China.):

- The decline in the value of the rand.
- Succesful marketing drives to overcome sanctions.
- A decline in world-wide stockpiles of coal leading to higher overseas prices.
- Australian and Polish suppliers face strikes and disruptions.

Dr Pohl adds, however, that SA producers are still having to accept prices that are at a discount to world market prices, as they struggle to find new markets in the face of sanctions.

JCI in joint R531-m coal mining venture

20/4/90 215

By Sven Lünsche

Johannesburg Consolidated Investment's coal mining subsidiary, Tavistock Collieries, is to develop operations adjacent to its Arthur Taylor (ATC) opencast mine in a joint venture with Total Exploration SA.

The new mine, which is located just south of Witbank, will cost R531 million to develop, JCI said in a statement today.

Tavistock and Total Exploration each have a 50 percent interest in the new venture, extending the existing agreement at ATC, where JCI is responsible for the mining and Total Exploration for the marketing and directing of export sales.

ATC is essentially an export mine and production of the new mine, which is estimated at 2,4 million tons a year, is also aimed at the export market. The anticipated life of the mine is 25 years from the date of commissioning which is expected to be in January 1992, the statement said.

The new mine will allow JCI to make use of its export entitlement of 1,47 million tons a year at the Richards Bay Coal Terminal.

The now defunct Transvaal Coal Owners' Association fixed the entitlements after the terminal expanded its facilities to cope with the shipment of an annual 48,8 million tons of coal.

During 1989, ATC exported just over 2,2 million tons, including extra tonnage received from Tavistock.

JCI in R531m mining venture

(215)

RIAAN SMIT

JOHANNESBURG Consolidated Investment Company's (JCI) coal-mining arm, Tavistock, has entered into a R531m joint venture to mine coal reserves contiguous to existing mining activities of its Arthur Taylor (ATC) joint operation.

A JCI spokesman said yesterday the group reached the agreement with Total Exploration SA which would give each a 50% interest in the opencast venture.

Total Exploration already has a 50% stake in ATC and is responsible for marketing and directing ATC's export sales.

The new mine would produce 2,4-million sales tons a year for the export market and would cost R531m to develop, JCI said in an announcement published today.

The expected life of the mine was 25 years from the date of commissioning which was expected to be January 1992, it said. BDay 20/4/90.

ATC's exported 2,211-million tons during the 1989 financial year, including tonnage purchased from Tavistock and exported under entitlement derived from the now-defunct Transvaal Coal Owners' Association (TCOA).

JCI directors said in their 1989 annual report that with the expansion of the Richards Bay Coal Terminal to 48,8-million tons, JCI's entitlement would reach 1,47-million tons of the TCOA'S entitlement a year.

They said it was the company's intention to turn this entitlement to account through the use of its own coal resources.

Duiker Exploration puts anthracite collieries on hold

B Day 23/4/90 (215)

LIZ ROUSE

DUIKER Exploration's steam coal sales improved in the March quarter, but anthracite sales were down sharply.

The directors reported that because of market conditions, the anthracite collieries were being placed on care and maintenance until demand improved.

Steam coal sales rose to 1,168-million tons in the March quarter from the December quarter's 1,01-million tons, but anthracite sales declined to 64 116 tons from 91 429 tons.

Duiker's gold interests are small and sales accounted for 59kg, up from 47kg

Duiker's mining income was well up at R6,1m (R4,4m) but total income fell sharply to R431 000 (R1,08m) The result was that taxed profit was little changed at R3,6m (R3,2m).

Operations

An unchanged interim dividend was declared on March 15 1990.

Duiker's current capex commitments amount to R715 000, but authorised capex is R6,1m.

Duiker has an interest in the Erfdeel operations, managed by Freegold. Tonnage milled in the March quarter declined to 224 000 tons (December quarter 231 000 tons) and gold produced fell slightly 827kg (843kg).

Higher working costs at the Erfdeel operations resulted in a working loss of R992 000 compared with the December quarter's working profit of R1,2m.

Quarterly capex on the Erfdeel project amounted to R9,6m (R9,4m) and progressively to R925,1m.

COMPANY

r, No- r last

R29,5-billion

Interest income rose by

while the Perms, for instance, has grown by R500-million a month

as they did control by Old Mutual, a big capital infusion and acquisition of a turbo-charger in the Perm.

Fine-tuning pays off for MacPhail

(215)

By Ian Smith

NATIONAL coal distributor MacPhail Holdings is way out of step with the operations of most of its fellow members of the largely manufacturing-oriented FSI Group — but it marches to the same tune on results

It has overcome doubts about its performance after last year's closure of the 66-year-old Transvaal Coal Owners Association, with which it had distribution agreements, and has risen above a year of pedestrian economic growth to produce record profits

S/Times 29/4/90

Ungeared

On pure organic growth in the year to December 31, MacPhail increased turnover by 53% to R153-million Attributable profit jumped by 68% to R5,9-million The dividend increased by 50% to 16,5c

The ungeared company is looking to spend R12,7-million of cash holdings in acquisitions or natural growth in its core business, says chairman Ivan Posniak in the annual report

Some of the cash will be used to expand and upgrade facilities to improve both market share and profitability

FSI holds a 56,2% stake in the company and directors control another 12,6% The balance is held by pension funds and institutions and individual investors

IVAN POSNIAK ... money to spend on acquisitions

Much of MacPhail's progress in the past two years can be put down to attention to detail and fine-tuning existing operations

Mr Posniak says "All areas of activity improved their efficiency The all-round excellent performance led to an improvement in the key criterion, return on assets managed, from 86,4% to 115,9% "

Excellent

He says that although the current year will see tight economic conditions MacPhail again expects "substantial growth due to the excellent position achieved in the market place over the past few years".

Deputy chairman and chief executive Sid Weintroub says the company will continue to enlarge its core business in its chosen sector of the energy industry in the 1990s

The company is alert to acquisition opportunities, but it will be cautious and examine each prospect to ensure that it makes "sound business sense"

Firm export prices for coal producers put MacPhail in a key position as it sought to meet the demands of domestic customers The firmer price trend is expected to continue to affect the SA market.

New political initiatives could lead to an easing of sanctions against SA coal and this would put even greater pressure on supplies

Stratgey

"MacPhail's infrastructure and wide distribution base will, under these circumstances, play an even more meaningful role for both the mining houses and industrial consumers," says Mr Weintroub

"The strategy of concentrating on our distribution expertise and not embarking on mining ventures save to secure distribution rights, will continue to benefit our business "

MacPhail will also take advantage of the buoyant export market "as opportinities arise"

He says the closure of the Transvaal Coal Owners Association placed a strain on other coal distributors But MacPhail responded to the challenge and won tangible benefits for shareholders, staff, customers and suppliers.

An unexpected 17% rail tariff increase in January has hit coastal consumers who are far from the main coalfields

Gencor colliery work force to be cut by 40%

6 Day 2 5 90

EDWARD WEST

GENCOR's Trans-Natal Coal Corporation is to reduce its labour force by 40% at its Usutu colliery because of a "substantial cutback in the demand for coal by the Camden power station", an announcement from the corporation said today.

Trans-Natal's Usutu colliery would reduce its labour force from 871 to 521 between now and the end of July.

Every effort would be made to find employment at other mines for those workers who could no longer be accommodated at Usutu, the announcement said.

About 80% of the workers at the mine were union members and union representatives were consulted before the decision was made to reduce the labour force, the announcement added.

(215)

ZILLA EFRAT reports Trans-Natal chairman Brian Gilbertson said last night the move would have no effect on earnings because of contracts held with Eskom.

The colliery supplied only the Camden power station. As a result, there were no plans to use capacity for exports.

He added that Usutu would be operating at a lower level, but would not be closed down.

□ Trans-Natal said in its 1988 annual report that Eskom — its largest customer — had informed it that some of its older power stations would be phased out sooner than initially planned, while others would operate at a reduced burning rate. No redundancies were then expected.

MacPhail is considering acquisitions

BDay 2/5/90

EDWARD WEST

COAL distributor MacPhail was confident of earnings growth in excess of the inflation rate in the financial year to December 1990, provided trading conditions remained stable.

MacPhail chairman Ivan Posniak said in his review that 1989 had been a year of organic growth, but MacPhail would consider acquisitions in core businesses during 1990. (215)

It was probable certain liquid funds would be used to expand and upgrade facilities to improve market share and profitability. The company had R12,7m cash on hand at December 1989.

For the financial year to December 1989, the FSI controlled company's turnover increased 53% to R153,3m. Operating profit increased by 80%.

Earnings rose 57% to 41,5c a share after allowing for a 7% increase in the number of shares in issue while return on assets managed rose from 86,4% to 115,9%.

In the group's 1989 annual report, CE Sidney Weintroub cautioned companies exporting large proportions of the high quality coals.

Weintroub said most mines were located far from coastal areas and coastal users needed maximum energy from each ton of coal so that they would not switch to alternative fuels.

BACKGROUND

Mining company presents its case on St Lucia

Star 2/5/90 (215)

We stood on an upland, knee high in grass The fresh sea wind sang a soft, barely audible, note as it plucked at the crowns of the young sweet thorns

Below us the Indian Ocean rollers sizzled up the beach.

The last time I had stood on this precise geographical spot was three years previously On that day the hill was missing

On that day the landscape comprised a deep flooded basin in which floated a dredger which was eating its way northwards through the high coastal dunes which had previously been stripped of vegetation.

The dredger was removing 3 000 tons of sand an hour and extracting its four percent mineral (mostly titanium) content. The waste sand was then pumped 1,5 km away and where the dunes were reconstructed and revegetated.

The operation is north of Richards Bay harbour about 20 km south of St Lucia estuary

Within three years the reconstituted dunes were well covered.

Half were planted with casuarina pines which one day will be turned into export charcoal by kwaZulu.

Barry Clements, an old friend — he helped establish Zululand's wilderness trails — showed me the mining operation on behalf of Richards Bay Minerals He now works with Rossing Mine in Namibia.

RBM wants to start mining St Lucia's sand dunes The public — including me — feel St Lucia deserves a better fate

Mr Clements gestured to the newly wooded dunes around us at Richards Bay and said "You're looking at the finest piece of mining reclamation work in the world.

I am sure he is right

We drove through the dunes pass ing notices reading 1987" or 1982" indicating when the dunes had been reconstructed and seeded

Then we drove into a tunnel of indigenous trees.

We walked into the cool canopy and I found a sign reading "1977" — the forest was only 13 years old.

I then realised the trees were not old and that many species one would have expected to find were missing.

"They'll come back," said Mr Clements "The birds will disseminate them and the wind too"

When? Nobody knows. The mining company says within 70 years At the moment the 13-year-old forest has almost 200 species of plants.

The managing director of Richards Bay Minerals Roy Macpherson, told me the dunes in the present mining area were already botanically degraded before mining began

Dr Pablo Weisser of the Botanical Research Institute identified only 242 species before the dunes were denuded ready for processing

Silence

RBM — after months of silence — invited me down to see the mine and to look over the proposed St Lucia site I am convinced that if RBM is allowed to go ahead and mine the high sand hills of St Lucia and then revegetate them the vegetation will look better than it does now

This is because the Department of Forestry, in the 1960s planted them with pines This caused a furore because it depleted the fresh water inflow into nearby Lake St Lucia

We'd return the area to grassland, or native forest, whichever the land owner required," said Mr Macpherson.

RBM is 50 percent South African-owned BP used to own it and last year RTZ of Great Britain took over Gencor owns 25 percent and the IDC and Old Mutual own the other 25 percent

Mr Macpherson was frank as we talked in RBM's board room

The ore at St Lucia is worth R5 billion he said 'For every R1 000 RBM earned, R800 would stay in South Africa"

"It is, said Mr Macpherson, "a very efficient and non-obtrusive way of creating wealth We will mine no more than 50 ha at a time — and rehabilitate as we go

'Compare that with the sugar industry which smothers 350 000 ha of Natal. Forestry takes up 450 000 ha

Being a private company RBMs policy has been said Mr Macpherson to keep a low profile I suggested that this was hardly a fair policy for a firm doing something as high profile as re-arranging a piece of well-loved South African scenery

He defends RBM's mining plan on the following grounds

- RBM is a powerful and supportive local industry with an exemplory employment code It has spent considerable sums on eight local schools, supplied bursaries, summer schools for teachers and classes for improving local managerial skills as well as proficiency in maths and science It has handed out many unsecured loans for rural homes.
- Its product is essential 92 percent of the titanium minerals is converted into TiO_2 pigment, an essential ingredient in white paint (it replaced toxic lead zinc), plastic and high quality paper Tipex used by typists, is pure TiO_2

Its by-products such as "very pure iron" and zircon are used in the metals industry and in ceramics.

Most RBM minerals are exported

- RBM acquired prospecting rights on two leases in the St Lucia dunes in 1983 and 1986
- It will not be in the area for more than 20 years and Mr Macpherson denies that 'once in it will try to obtain rights to mine right up to Cape Vidal"
- The operating basin for the dredger will mostly be below the crest of the St Lucia dunes — the line of dunes which forms the horizon.
- It will not touch the line of dunes along the beach itself
- The nearest the line of mining approaches Lake St Lucia is 800 m Much of it is 5-6 km away
- The ore will be pumped along a R40 million pipeline to a point clear of the game reserve (The idea of using big trucks to move the ore has been abandoned)
- Except for one tiny isolated remnant of indigenous forest ("We're prepared to by-pass it') the mine will not touch any native bush.

Furore

- As far as the EIA (environmental impact assessment) report on the proposal to mine St Lucia is concerned — the one which caused such a furore when it was released last year — Mr Macpherson said. RBM did not have the opportunity to assess the completeness of the draft before it was made public."

He said RBM was under time pressure to complete the EIA to meet a ready market. "We now recognise it was a mistake and that it was one of the reasons for the hostility, outcry and delay"

- The completion and extension of the draft impact study, and environmental management suggestions, are being supervised by Dr John Raimondo of the environmental evaluation unit of UCT who was appointed by the Department of Environment Affairs

The EIA will go to a review panel of eminent persons. The Cabinet will have the final say"

- The controversial "Umfolozi River dam" will not be a dam and nor will it be in the Umfolozi bed. It is a 120 ha reservoir in a low-lying area into which Umfolozi water will be pumped (an infinitesimal amount compared with the river flow in the rainy season RBM will be the last users of the Umfolozi before it reaches the sea) No fresh water will be taken from St Lucia lake.
- The St Lucia operation will support 700 jobs (140 at the mine and the rest at the processing plant) offering security to thousands.

Before — a picture of dune mining operations near Richard's Bay before the area was revegetated by the mining company

After — some species of plants are missing, but 13 years after being revegetated a forest has taken root in the sand

After months of public outcry Richards Bay Minerals, the company which wants to mine next to St Lucia reserve, has broken its silence It invited **JAMES CLARKE** to see its operations This is RBM's case

Colliery to lay off 350

25/1/90

(215)

The Usutu colliery, near Ermelo, is to reduce its labour force by 40 percent between May and July this year.

The management of Trans-Natal Coal Corporation revealed yesterday that the layoff of 350 workers was a direct result of a substantial drop in demand for coal by the Camden power station.

The managing director of Trans-Natal, Mr Mike Salamon, said every effort would be made to find jobs at other mines for workers who were laid off at Usutu. Unions had been consulted. — Sapa.

Plenty of options in Witcons deal

Star 2/5/90 (215)

Diagonal Street

ANN CROTTY

Anyone who bought into Witbank Consolidated Coal Mines (Witcons) this year will be quite happy with today's announcement of the deal between Lonrho and Investec

It values Witcon shares at between R15,98 and R19 compared with Monday's market price of R14,50.

But anyone who bought the shares before November 1989 is unlikely to be too excited except in so far as it provides an opportunity to get out of a non-performing investment.

Last November the share dropped from R20 to R14 in reasonable volume (around 3 000 shares) for a counter that seems to be rarely traded. Shortly afterwards, following what could have been a book-over of approximately 13 000 shares, Witcons moved up to around R15,50.

The share was trading at around R20 for most of 1988 and 1989. Back in 1987 it was as high as R40. Add carrying costs to this and the Investec deal will be looked upon with some reservations by Witcons' shareholders.

But the bulk of these are Lonrho and its associates which appear to have a combined holding of at least 90 percent of Witcons' 920 000 shares.

The deal involves two transactions. One is the acquisition by Investec of the 64,9 percent stake in Witcons, for R15,98 a share, held by WPH Investments — a Lonrho subsidiary. This stake will cost Investec R9,6 million. If all the minorities accept the offer then Investec will have to hand over R14,7 million.

The second transaction is the offer to Witcon shareholders (including those who have sold, or intend selling to Investec) of Duiker shares for 880c on the basis of 1,8 Duiker shares for each Witcon share held. On Monday Duiker shares closed at R10,50.

(Witcons holding of 1,68 million Duiker shares is its major asset. Lonrho holds 67 percent of Duiker's 14,4 million shares.)

Options

A shareholder with 100 Witcons has the following options: he can

- Do nothing and stay with Investec which intends converting Witcons into an investment trust company to be called Intrust; or
- Take the R1 598 cash and ignore the offer of Duiker at 880c; or;
- Take the R1 598 cash and use it to buy 181 Duiker shares for 880c each and then sit with the Duiker shares. (The same amount of shares would have cost R1 900 in Monday's market.) ; or
- Take the cash, buy the Duiker shares and try to sell them at somewhere between 880c (which is underwritten by Lonrho) and Monday's level of R10,50.

Assuming that about 90 percent of the Witcons shareholders (i.e various Lonrho associates) have agreed some course of action with Investec then it's just the remaining 10 percent — holding 92 000 Witcon shares with an option on 168 000 Duiker shares — that are in the balance.

The prospect of sellers of 168 000 Duiker shares coming to the market will put downward pressure on the price of this rarely traded counter. But the share price has performed reasonably well in recent years and this should encourage sellers to hold out for at least 950c.

Staying with Investec involves consideration of the plans for Intrust which will initially have R14,4 million funds at its disposal.

Investments

The funds will be used to acquire minority stakes of 5 to 10 percent in successful companies which are not in the blue chip category where a rerating by the market seems likely.

According to an official announcement: "Investec has already acquired and entered into negotiations to acquire certain investments for the Intrust Portfolio."

At this stage it is unclear as to exactly what sort of company is being earmarked. Good quality second liners, which are frequently overlooked by the blue-chip-obsessed institutions, would be an attractive proposition.

In the short-term, given the outlook for equities, Investec may have some difficulty in encouraging support for investments below the second line.

Longer-term it could prove to be the sort of fillip that is needed to spread investors attention beyond blue-chip and second liners and towards smaller, well managed outfits.

If Investec choses well, it could encourage other players into this neglected field.

The Star
Finance

S Star 3/5/90

Higher export prices help boost Amcoal

215

By Derek Tommey

Increased export revenue helped boost the earnings of the giant coal producer Amcoal in the year ended March, by 55 percent to R256,2 million Shareholders have been rewarded with a 28 percent increase in dividends

Amcoal has declared a final dividend of 280c making 385c for the year against 300c last year Dividend cover has increased from 2,2 to 2,7 times

The chairman, Mr Graham Boustred said that three major factors contributed to Amcoal's improved earnings Greater tonnages were sold in the export markets at prices that were on average some $3,50 higher, which, together with the weaker exchange rate, resulted in significantly improved rand prices being realised.

In the domestic market, the income earned by the new collieries supplying Eskom increased as a result of further investments in these collieries Finally, the group's earnings from its cash resources increased due to higher interest rates and improved cash flows

However, on the basis of the current rand/US dollar exchange rate, Amcoal says earnings will be largely unchanged in 1990.

Export profit margins are expected to be lower owing to increased operating costs and high railage rates which will not be fully offset by higher US dollar prices

Moreover no big increases are expected in the tonnage of coal exported

Although the rated capacity of Richards' Bay is being increased by nine million tons a year, the current view is that the increase in coal exports will be limited to an additional one million to two millions a year.

However, the positive political climate could lead to new export markets opening to South Africa

Foreign earnings from coal exports last year rose to R3,6 billion from R2,8 billion in 1988.

Mr Boustred says a calmer industrial relations mood prevailed on group collieries for most of the year, but recently this has deteriorated as a result of raised expectations at the prospect of impending political changes

The Group's operating profit, after setting aside R60,0 million for amortisation and depreciation, increased by R148,2 million to R459,4 million

Interest and investment income amounted to R104,3 million and profit before taxation was R563,7 million (1989 R364,2 million) Taxation amounted to R305,8 million (1989 R193,7 million)

(215) (88)

Star 3/5/90

Frigate expands reserves

Frigate group has increased its coal reserves by 70 percent from 29 million tons to almost 50 million tons, chairman Mike Stanley says in his annual review.

This puts the company in a position to achieve its projected production levels for the next 15 years.

Frigate, which was listed on the Johannesburg Stock Exchange in October last year, has started direct coal exports for its own account. Until now, the company has been onselling all of its coal export production to organisations holding export allocations

Mr Stanley says Frigate plans to develop a new colliery, Westside, in the Delmas district, to supply coal for metallurgical use On future prospects, Mr Stanley is confident that that the group will achieve results projected in the prospectus, notwithstanding any untoward changes in the economic and political environment.— Sapa.

F/M 4/5/90 (215)

COAL EXPORTS FM 4/5/90

Hitting a ceiling

(215)

It was a short-lived summer for coal exporters — leaner times are already back

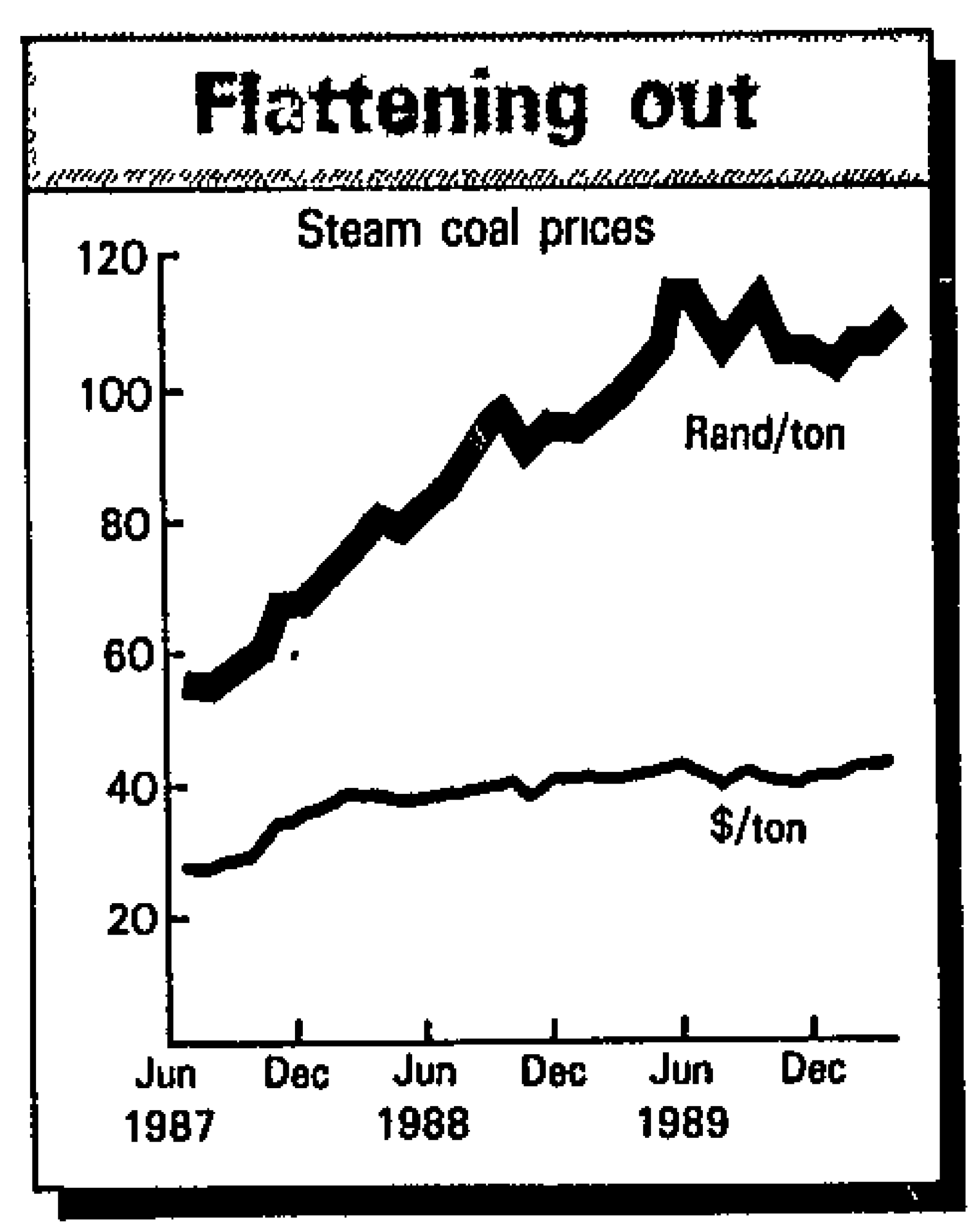
This is the view of Allen Cook, deputy chairman of Witbank Collieries His pessimistic view is shared by most industry observers

"We had full order books around October-November," he says, "but then there was a mild winter in Europe and our competitors sorted out their various short-term problems "

SA made the most of the strikes in the US and Australia and the teething problems at Colombia's giant El Cerejon mine But some markets remain closed to SA and Cook does not expect sanctions to be lifted soon.

Trans-Natal MD Mike Salamon says: "Some positive noises have been heard but as yet we haven't seen firm action." Some countries, including France and Denmark, have a total ban on SA coal and Japan has capped the dollar value of coal imports at 1986 levels. "Apart from the politics, Japan is under pressure to buy American coal — even at a premium — to reduce its trade surplus with the US."

In contrast, JCI is extending its Tavistock Collieries' export production by 2,4 Mt and Amcoal is to expand its Landau colliery. In volume terms, the outlook for exports seems quite promising. The international steam coal market is expected to grow from 191 Mt this year to 317 Mt by 2000 but Frankel Kruger's Kevin Kartun says the dollar price of coal will grow at only a modest 2% a year real terms, or 7% after US inflation, which is less than half the cost increases of SA producers. "Without improvements in productivity, SA will lose its competitive edge and several collieries will become extremely marginal," Kartun says.



He believes SA coal is still subjected to a political discount of \$4-\$7 a ton. Cook says producers have relied on the weakness of the rand but the renewed strength of the currency could now wipe out any gains in the international price. Prices are about \$2 higher than a year ago (see graph) and, combined with the currency depreciation, this means producers are receiving 11% more in rand terms — well below the inflation rate

SA still enjoys a reputation as the world's cheapest major producer of steam coal but the cost pressures are starting to tell. The railways raised tariffs by 17,75% on April 1 and there is serious concern that this year's mine wage increases could exceed this percentage.

By the end of next year the potential for coal exports will reach a ceiling. The Richards Bay Coal Terminal will then reach its new nominal capacity of 53 Mt, which in practice means a guaranteed capacity of 48 Mt. This has been achieved by additions to capacity and removing bottlenecks at the relatively low cost of R317m. Any further development on top of that, along the lines of the mothballed Phase 4 plans, would involve far more costly expansion.

Expansion through the other two coal ports, Durban and Maputo, is unlikely. Maputo is an inefficient port and the rail link to it is regularly cut by Renamo's activities. Durban is a suitable port for smaller tonnages that cannot be handled by Richards Bay. But it costs R65 to transport a ton of coal from the eastern Transvaal to Durban, compared with R29 to Richards Bay.

The domestic coal market is not much more encouraging. Eskom is not planning to build any new power stations until the next century and Kartun describes the rest of the market as "mature," with the prices fetched by lower grades of coal, in particular, still in the doldrums. ■

Natal Administrator 'could pre-empt Govt on St Lucia'

Star 4/5/90

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Staff Reporter

The Administrator of Natal could save St Lucia reserve — now threatened by an open-cast mine — it was claimed at an invitation-only debate this week on the future of the area

About 100 people attended the generally restrained confrontation betwen the mining company and environmentalists at Mintek in Randburg

Many delegates flew or drove up from Zululand and the Cape

Among them were Dr Ian Player, Mr Rupert Lorimer MP, and Dr Ken Tinley, former South African ecologist visiting from Australia

The Department of Environment was also there, as was the top management of RBM, the company which wants to mine St Lucia's high dunes

Mr Jim Phelps, founder of ZEAL (Zululand Environmental Alliance) said the law allowed the Administrator of Natal to pre-empt a Government decision on St Lucia

Under existing legislation he could declare the dunes a "protected natural environment"

The law says this can be done "after" consultation with the mineral rights owners and not necessarily "in consultation" with them

The Administrator had been formally asked by ZEAL to take this action

It was suggested at the meeting that the public might have to pay the mining company, RBM, R6 000 million compensation if they are forbidden to mine along Lake St Lucia's horizon — because the Government, by giving RBM prospecting rights, tacitly gave it mining rights too

Mr James Clarke of The Star said

"I have seen and heard both sides and examined the situation down there in detail — thanks to RBM who were frank and open

"What they are doing at Richard's Bay is probably the best mining rehabilitation job in the world

"But St Lucia is something else I remain opposed to mining St Lucia"

Dr Player said Richards Bay had been sacrificed to industry and there was no reason to now sacrifice St Lucia

● **For a fuller report see the Sunday Star's Review section this weekend.**

FM 4/5/90 215

ERPM

Douglas's ginger

The saga of ERPM's drift towards closure is becoming increasingly peculiar according to some of Rand Mines' critics. They say the mining group has scrounged around its subsidiaries for the cash needed to keep the stricken gold mine afloat, basing their views on the coincidence of timing between in-group cash mobilisation and ERPM's funding needs.

Last April, Witbank Colliery's wholly owned Douglas Colliery invested R30m in redeemable pref shares newly issued by Rand Mines (Mining & Services). The prefs carry interest at 65% of prime and, as they are redeemable, are to all intents and purposes debt rather than equity

Mining & Services (M&S) is wholly owned by Rand Mines and was formed during Rand Mines' merger with TCL some years back. And, though one of its principal functions is to provide secretarial and engineering services to group mines, it also owns aeroplanes and cars and is expanding various other investments On March 29 1989, it increased its authorised share capital by R100m by creating 500 000 red pref shares of R200 apiece Six days later, 150 000 red prefs worth R30m were issued to Douglas. It is not clear if any were issued to other companies controlled by Rand Mines.

Why should Douglas want to invest R30m in a service company owned by its ultimate parent? Johann Jacobs, Witbank's finance director, says he initiated the transaction last year as he needed to invest some of the R86m cash resources held by Douglas at the end of financial 1988. Dividends on the prefs, at 65% of prime, represented a more attractive after-tax yield to Douglas than placing the cash on call, Jacobs says And he is backed by Rand Mines chairman, Dammy Watt, who says the after-tax yield is at least as good as that available on NCDs then.

That is all very well, the critics counter But R30m was a material sum as it represented 80% of Witbank's R37,4m of net current assets at the end of financial 1988. At that stage, Witbank's other subsidiaries had net current liabilities of R48,6m — the difference between Douglas's cash and Witbank's net current assets.

They go on to argue that Rand Mines' needs seem clear to an outsider. It was busy financing the cost of following its Barplats rights and was also heavily involved in funding ERPM's continuing losses and capital spending. And they conclude that Douglas's (or Witbank's) R30m was effectively used to help Rand Mines sustain a faltering ERPM.

Watt disagrees, maintaining the R30m is not a loan but an investment which can be sold at any time And he rejects the view that the deal has uncanny parallels with the Lefkochrysos/Cons Modder financing deal, when Loucas Pouroulis used R72m of Lefko's development capital to shore up a loss-making Cons Modder The transaction was

FM 4/5/90 215

done with the approval of Douglas's board unlike the Lefko/Cons Modder deal, Watt points out.

When it took over Lefko, Rand Mines quickly obliged Pouroulis to reverse his unorthodox financing arrangments, held back part of the payment due on the Lefko acquisition and did not stand in the way of charges being brought against Pouroulis and his Lefko co-directors for Companies Act contraventions.

Still, the deal has its irony. Within months, Witbank itself was scrambling for cash to finance its share of the acquisition of the Middelburg export colliery from divesting BP.

Jim Jones

S/Times 6/5/90 (215)

Frigate steps up its coal reserves

Business Times Reporter

COAL production, which has provided rich pickings for big groups in the past year, holds promise for smaller operators.

Independent Frigate Group, which came to the JSE last October, achieved its prospectus forecast and has increased coal reserves by 70% from 29-million tons to nearly 50 million

The increase puts the company in a position to achieve its projected production levels for the next 15 years, says chairman Mike Stanley.

Confident

The company has also started direct exports for its own account, which should produce greater benefits In the past Frigate sold export output to other organisations

Mr Stanley says in his maiden review "Notwithstanding any untoward changes in the economic and political environment in SA, I am positive the group will achieve the results projected in the prospectus"

Frigate's taxed profit in the year to December 31 was R5,06-million — equivalent to 20c a share — and ahead of the forecast R5,03-million

Underlying Frigate's position as probably the biggest independent producer in SA, is the fact that coal sales produced R47,3-million, or 75% of group turnover of R63,1-million

Contract mining turnover was R10,8-million and plant hire — Frigate's original business and the base on which it was built — accounted for R5-million, or 8% of turnover.

Mr Stanley says Frigate plans to develop a colliery, Westside, in the Delmas district to supply coal for metallurgical use. Opencast mining will begin in July at a rate of 45 000 tons a month.

The discovery of additional reserves at two of the group's Transvaal collieries, Hillside and Riverside, has led to the development of Haasfontein and Lakeside as new sections of the two mines.

"This has allowed the development of Southside colliery, which was to have begun operations next January, to be postponed," says Mr Stanley

Breakdown

The three group collieries — Hillside, Riverside and Pardeplaats — produced 2,2-million sales tons of coal in the year Production would have been higher if an inland customer had not suffered a factory breakdown and if there had not been disruptions to shipments through Maputo

Frigate is engaged in two opencast mining contracts in addition to its own mines. One is a coal-mining contract for the Gold Fields group's New Clydesdale Colliery, which has been in force since July 1988. The other is a gold-mining contract for West Witwatersrand where 1-million tons of reef has been excavated since work began last September.

Brokers recommend buying of coal shares

B|Day 8|5|90 (215)

EDWARD WEST

SA COAL shares still represent an attractive investment for long-term investors, and stockbrokers Davis Borkum Hare have recommended their accumulation

A statement from the firm said that over the past two years coal shares had steadily improved from their early 1988 lows, and at current prices they offered a real internal rate of return (RIRR) in excess of 3% a year

Gold Fields Coal offered an RIRR of 9,9% while Amcoal offered 3,1%, Trans Natal 4,5% and Witbank Colliery (Witcolls) 3,1%, said Davis Borkum Hare research head Manny Pohl.

The JSE coal index improved in the first quarter of 1990 and this was primarily due to the improved fortunes of SA producers in the export market, he said.

Spot price

SA producers exported at spot prices which appeared to have peaked in the short term, but Pohl expected steam coal prices to improve in the long term as prices of competitive energy sources — particularly crude oil — increased.

The spot price for SA coal climbed from $41,50 to $44,50 in the first quarter of 1990 due to increased demand and was $3 higher than the third quarter of 1989 and $3,50 higher than the first quarter of 1989

The report showed Amcoal and Witcolls were the most profitable operations. Amcoal showed a working profit of R8 a ton in 1989 with the 1990 estimate at R9,2 a ton. Witcolls achieved R8,8 a ton in working profit and expected R9,6 a ton in 1990

Destined

Amcoal's dividend yield of 3,8% in 1989 was estimated to rise to 5,1% in 1990, Gold Fields Coal's 11,2% was estimated to rise to 11,4%, and, Trans Natal's 4,9% in 1989 was estimated to become 5,5% in 1990 The dividend yield of Witcolls was 8,8% and destined to rise to 9,6% in 1990

Increased demand for coal from Eskom — due to continuing efforts to supply the majority of the population with electricity — and an expanding steam coal export market would continue to provide increased sales volumes for SA coal producers well into the 1990s, the brokers said.

Modifications to the Richard's Bay coal terminal would enable SA's exports to be increased by 2-million tons within the next quarter and would benefit SA producers with available surplus.

Accordingly, revenue from exports was likely to improve during the next year provided there was no significant strengthening of the rand, they statement said.

Star 10/5/90 (215)

Mining would be 'strictly controlled'

Mining at St Lucia would be subjected to strict conditions if investigations showed that mining was acceptable, **Environment Affairs Minister Gert Kotze**, said in Parliament yesterday.

Replying to the debate on his vote, he said one of these conditions would be that the environment had to be left in a better state than it was now.

No final decision had yet been reached about the mining at St Lucia as an intensive independent investigation into the possible effects was under way.

"I am not against protests that are held to oppose the mining." — Sapa.

AMCOAL FM 11/5/90

Export focus (215)

Amcoal's latest results repeat last year's excellent performance, when earnings rose by 58% But despite this, the share price has not really performed and investors are clearly expecting the coal market to taper off The coal industry's growth had not been expected to last as long as it has and now seems to be at the end of its run

Chairman Graham Boustred attributes the past year's 54% rise in earnings to three factors growth in export earnings due to higher tonnages, higher dollar prices and the weaker rand, growth in the domestic market arising from "further investments in these collieries," and a doubling in net interest due to higher interest rates and an improved cash flow

He forecasts largely unchanged earnings for the year ahead, assuming no major change in the current rand/dollar exchange rate Export tonnages, he says, cannot be raised in the short term as the group's allocation is already fully utilised and allocations will not be increased just yet Nevertheless, Boustred says Amcoal is planning to increase capacity at its Landau export colliery by

STOKED UP

Year to March 31	'89	'90
Turnover (Rm)	1 445,7	1 752,6
Pre-tax profit (Rm)	364,2	563,7
Attributable (Rm)	165,6	256,2
Earnings (c)	665,1	1 025,3
Dividends (c)	300	385

4 Mt, half of which will replace capacity closed down at some ageing mini-pits.

Boustred does not say how much the Landau expansion is likely to cost. But if its cost per annual ton is the same as that being planned,by Tavistock, Amcoal could be facing a capital bill of around R900m for this colliery alone over the next three years or so. The group should easily cover that from present resources, tax breaks and retentions

Dave Russell of J D Anderson believes the Richards Bay Coal Terminal (RBCT) is stretched to its capacity limit and initial expansion to 48 Mt next year will relieve stress on the terminal's facilities rather than lead to a higher handling rate. Increased throughput will follow when RBCT's handling capacity is lifted to 53 Mt a couple of years later. On the domestic front, the market is languishing after deregulation of the industry and local tonnages are not likely to rise much.

Coal price prospects in rands and dollars look unexciting as other exporting nations, which could not meet sales obligations last year, are returning to the market. And while costs continue to rise at their present 15%-plus annual clip, profit margins will have to give. In real terms, dollar prices are not expected to increase by more than 2% and as the Reserve Bank seems able to hold the rand at its present level against the dollar for the

FM 11/5/90 (215).

rest of this year, currency protection is likely to be limited. Amcoal and SA's best near-term hope is for a narrowing of the political discount on export prices.

With a relatively pedestrian outlook for the sector as a whole, too much should not be expected of Amcoal this year. As Russell puts it: "The share is fully priced at the R77 level."

Gillian Findlay

Vermaas gem mine sold to SouthWits

215

Business Times Reporter

PRECIOUS stones have joined the portfolio of noble metals at SouthWits.

It has bought the Shenandoah diamond mine near Lichtenburg, which is expected to contribute profits from next year, says the company's 1990 report. S/Times 13/5/90

The mine was part of the liquidated estate of Albert Vermaas. It was valued independently at R12-million, and SouthWits paid R4-million in cash and shares for it.

SouthWits is considering listing a company to raise funds for its Potgietersrust nickel-copper platinum venture.

Options over certain West Rand and Bothaville gold prospects were not renewed, but the percentage of gold in the exploration portfolio remains at 50% Coal accounts for 30% and platinum and diamonds 20%.

A joint venture to explore the Stoffberg platinum area was agreed on with Rand Mines. A royalty agreement was reached for Frigate to develop SouthWits' coal rights.

SouthWits also won a tender to prospect for coal and allied minerals south of Middelburg.

SouthWits floated South Murch in the past year. Located in the north-eastern Transvaal, South Murch will recover gold from dumps and virgin sources. A 5 000-ton-a-month carbon-in-pulp plant is being commissioned. A milling rate of 2 000 tons a month should be achieved in June.

SouthWits shares are 110c and the options 55c. South Murch shares are 20c and its options 10c.

Opportunity knocks as coal puts on steam

S/Times 13/5/90

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Business Times Reporter

THE JSE coal index has been fired up to new highs, but brokers believe the shares are still attractive for long-term investors.

After good results from major companies in a year in which coal exports jumped to R3,6-billion tons from R2,8-billion in 1988, the index is at 2 480 Two years ago it was below 1 000 and towards the middle of last year it reached 2 000

Some leaders in the industry predict leaner times ahead after a relatively mild winter in Europe which gave SA's competitors time to sort out short-term problems.

Bullish

But a new report from stockbroker Davis, Borkum Hare & Co highlights opportunities which lie ahead

Coal shares have steadily improved from their early 1988 lows, and even at current prices offer a real internal rate of return (RIRR) of more than 3% a year One counter — Gold Fields Coal — offers an RIRR of about 9%, according to Davis, Borkum research head Manny Pohl

SA coal producers are exporting at spot prices which appear to have peaked in the short term. But Dr Pohl expects steam-coal prices to improve in the long term as the cost of competitive energy sources, particularly crude oil, increase.

He points to long-term bullish factors for international steam-coal prices.

Particulary important in Western European markets is the emergence of the increasingly powerful Green movement. Concern about acid rain has given environmentalists added weight in their push for smokestack controls.

Mrs Thatcher's Government has demanded a 20% reduction in sulphur emissions by 1993, increasing to 60% by 2003

The move is likely to prompt the import of larger volumes of low-sulphur coal, especially after the privatisation of British Electronic Utilities — the State-owned electrical authority.

Imported low-sulphur steam coal is cheaper than its British counterpart Dr Pohl foresees British imports rising to 6-million tons by 1993

In China and Russia — which together dominate world coal production — plans for major expansion in production have been announced, but they appear to be aimed more at providing for domestic consumption than export

In 1987 the two countries exported an average 3,5% of their production compared with SA's 24% Ranked by 1987 coal exports, China and Russia came in seventh and fourth respectively, but their additional production will not alter rankings significantly in future

Surplus

In Japan coal has retained its place as the most economical power fuel despite reports to the contrary by the Agency of Natural Resources and Energy (ANRE)

The latest ANRE report claimed that nuclear power was the cheaper of the two, but ignored the considerable costs of dismantling nuclear capacity in its calculations

SA coal producers can look forward to a rand which Davis, Borkum expects to stabilise at R2,60 to the dollar in 1990 and R2,65 in 1991. Moves for a stable political environment, relatively high interest rates and less pressure from inflation have all contributed to SA's rehabilitation as a more acceptable risk for international investment.

This should result in a declining discount for the financial rand

Domestic coal demand should continue to increase because Eskom, which takes about 40% of production, is increasing its efforts to supply electricity to most South Africans

The international market for steam coal should continue to expand, with "satisfactory" growth rates for SA steam coal well into the 1990s, says Dr Pohl.

Modifications to Richards Bay Coal Terminal will enable exports to be increased by 2-million tons a year, benefiting producers with surplus capacity

Coal exports delay expected at Richards Bay

Cape Times 14/5/90

Own Correspondent

JOHANNESBURG — The possible lifting of French coal sanctions on SA from France and subsequent export of coal to France could be bottle-necked in the short-term by the present capacity of the Richards Bay coal terminal

Last week the French newspaper Liberation reported that French businessmen were anticipating the lifting of coal sanctions against SA

And the French and Spanish governments seemed in favour of the gradual lifting of sanctions

A Frankel Kruger Vinderine analyst said the lifting of sanctions would be welcomed by the industry, but the Richards Bay coal terminal, through which SA exports most of its coal, was running at a full capacity of 46m tons

However, the terminal was being upgraded.

By the end of 1991, capacity would be 53m tons, Richards Bay Coal Terminal Co MD M Dunn said at a recent conference on coal.

● **Our London correspondent reports**, that according to a report in London's Financial Times, Indonesia's developing coal industry is threatening to become a major rival to exporters such as SA and Australia in the 1990s.

Plans to develop export terminals off the south-east coast of Borneo, mean that Indonesia should be able to export 20m tons of steam coal a year by 1994.

By 2000 Indonesia could be shipping 38m tons — making it the world's third biggest exporter after SA with 46m tons last year, rising to 53m tons when Richards Bay is expanded.

What makes Kalimantan coal attractive in the "green age" is the low sulphur content — normally defined as 1% or less — and being as little as 0,01% SA steam coal contains between 0,3% and 1,2%

Indonesia's competition will be felt chiefly because of its closeness to the big growth markets of the Pacific Rim

Richards Bay terminal capacity may delay post-sanctions coal expor

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EDWARD WEST

THE possible lifting of French coal sanctions on SA and subsequent export of coal to France could be bottle-necked in the short term by the present capacity of the Richards Bay coal terminal

Last week the French newspaper Liberation reported that French businessmen were expecting the lifting of coal sanctions against SA and the French and Spanish governments seemed in favour of the gradual lifting of sanctions.

A Frankel Kruger Vinderine analyst said the lifting of sanctions would be welcomed by the industry, but the Richards Bay coal terminal, through which SA exports most of its coal, was running at full capacity of 46-million tons

However, the terminal was being upgraded and would be able to accommodate an additional capacity at the end of 1990.

By the end of 1991 capacity would be 53-million tons, Richards Bay Coal Terminal Company MD M Dunn said at a recent conference on coal.

France imposed sanctions on SA coal from the middle of 1986 along with America and Denmark.

Countries such as Finland, Holland, Norway, Sweden, Thailand, Indonesia, Korea, Malaysia and Philippines prohibited the importation of SA coal in 1985, Rand Afrikaans University Energy Studies director D Kotze told the conference

In 1986 only 1,1-million tons of coal were exported to France, while in 1981 exports were 7,9-million tons, the analyst said

After 1986, SA coal exports to France were minimal.

Witbank Collieries deputy chairman Allan Cook said France had embarked on a nuclear power programme in the eighties and had cut its coal consumption

Meanwhile, according to a report in London's Financial Times, Indonesia's developing coal industry is threatening to become a major rival to exporters such as SA and Australia in the 1990s

Plans for export terminals able to load cape-size vessels (100 000-250 000 tons) on the island of Kalimantan, off the southeast coast of Borneo, mean that Indonesia should be able to export 20-million tons of steam coal a year by 1994

By 2000 Indonesia could be shipping 38-million tons — making it the world's third biggest exporter after SA with 46-million tons last year, rising to 53-million tons when Richards Bay is expanded

Indonesian coal production jumped by 50% to more than 4-million tons in 1988 and was due to rise to 6-million tons this year, growing to 15-million tons by 199 terms of its five-year plan.

What makes Kalimantan coal att in the "green age" is the low sulph tent — normally defined as 1% or steam coal contains b- een 0, 1,2% BIPCM 14/5/19

Two Kalimantan mines produ with 0,5% sulphur, while a third Adaro (50% Australian owned), clai with a sulphur content of only 0,01%

Indonesia's competition will chiefly because of its closeness to growth markets of the Pacific Rim

The Star
Finance

Supply problems force Iscor to import coal

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By Des Parker

Supply problems at its four collieries have forced Iscor to import shipments of coking coal in recent months - some reportedly from Poland and the United States.

Piet du Plessis, public relations manager of the Pretoria-based iron and steel company, declined to say where the shipments were from, what quantities were involved or for how long imports would continue.

However, he described a London Financial Times report that Iscor had an import requirement of between 500 000 and one million tons a year as "a bit high".

Iscor last year produced 3,8 million tons of coking coal.

The report said it was understood six shipments of coal had come in through Richards Bay from the United States and Poland since March

Ironically these are countries which ban coal imports from South Africa

It was also reported that a Canadian company was at "an advanced stage of preparedness" to make a shipment

Mr du Plessis said "Demand for a certain period necessitated some imports

"We review our position from time to time, although I would not like to quantify what scale of import was believed to be needed".

The closure of a section of Hlobane Mine near Newcastle as well as new developments at Grootgeluk in the north-western Transvaal and an operation being planned in the north-eastern Transvaal had resulted in an inadequate "quantity and volume" of coal being available.

Quality problem

As a consequence, the company had elected to import through the Richards Bay coal facility to augment supply, "though I cannot say it's going to be ongoing", he said.

The quality of coking coal derived from the Iscor collieries had "always been a bit of a problem"

However, that had hardly ever been the reason for resorting to imports.

He said Iscor had installed a new plant at its Pretoria works which would operate on cheaper, lower-grade coal, rather than the more expensive and better-quality coking coal

"The new process is known as the Corex process, which is a German abreviation for coal reduction

"It was a joint venture with Austrian and German companies and should mean a significant reduction in our need for coking coal"'

AT Col earnings sharply higher

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Star
17/5/90

There was a sharp increase in taxed profit of Anglo-Transvaal Collieries (AT Col) for the half-year to March, with earnings rising 67 percent to R3,985 million from R2,391 million in the year-ago period — equivalent to 236,4c and 141,6c a share respectively — the interim report shows.

Dividends from the company's fixed investment in Witbank Colliery were R1,618 million higher at R4,041 million

With interest received an unchanged R21 000 and expenditure of R68 000 (1989 R44 000), pre-tax profit was R3,994 million (R2,400 million)

Tax was steady at R9 000.

The market value of the company's holding of Witbank Colliery shares had risen to R88,374 million (R64,664 million) at end-March, while its book value was an unchanged R3,385 million

— Sapa

Waste coal recovered

(215)

Business Times Reporter

WASTE coal worth R85-million is to be recovered from slimes dams at Iscor's Durnacol mine near Newcastle.

The project will cost R6,5-million and will yield 6 500 tons of coal a month over 10 years. Operating costs will be R900 000 a year and coal recovered will be worth about R85-million.

S1Times 13/5/90

The slimes dams contain 1,8-million tons of fine material, of which 810 000 can be recovered as usable coking coal.

Thirty years ago it was possible to beneficiate the fine coal by using conventional agitation flotation, although a large part of the fines was unrecoverable.

Advances in recovery techniques have made it possible to fully beneficiate the fines which were pumped into dams. The technology includes the use of spiral concentrators and pneumatic flotation.

Hopes not pinned on deregulation

B Day 18/5/90 (215)

EDWARD WEST

GOVERNMENT's investigation into possible deregulation of the coal export programme was not likely to have a significant impact on export volumes.

This was the view of RAU Institute of Energy Studies director David Kotze.

Government has held administrative control over the volumes and quality of coal being exported since 1973 through export allocations and permits

National Energy Council (NEC) spokesmen said yesterday the investigation would take place in conjunction with the Coal Advisory Board, but the first meeting between the two bodies could take months due to other commitments.

Surge

Coal Advisory Board chairman and Amcoal MD David Rankin said it was possible the subject would be discussed by the board, but other forums might also be approached for their input.

Kotze said possible deregulation of the coal industry was unlikely to result in a surge in exports, though the move would be welcomed by the industry.

While the previous round of export allocations had been oversubscribed, the Richards Bay Coal Terminal was running at full capacity, but by 1992 volumes through the terminal would be increased by 9-million tons annually.

Exports volumes would also increase significantly only by the mid-'90s when large coal projects to increase volumes at Gencor, Amcoal, JCI and Sasol were completed, he said

Further constraints to new entrants and present producers were the capital cost of a new coal mine, projected weak oil prices and greenfields expansions in other parts of the world, he said

Analysts said small producers using space at the Richards Bay Coal Terminal, which is owned by the large coal producers, would inevitably cut larger producers' throughput at the terminal

The NEC said government's involvement with the export of coal arose out of the oil and energy crisis of the early '70s.

Government controls coal exports through allocations and permits which are issued according to aspects such as mine safety standards, mining enviromental aspects, export volumes and infrastructure.

In 1982 government increased the coal export ceiling to 80-million tons a year SA exported about 46-million tons last year, so there was plenty of export volume available, an NEC spokesman said

Rand Mines unlikely to meet its forecast profits

BDay 18/5/90 (215)

RIAAN SMIT

RAND Mines group will not achieve the modest increase in profits forecast in the 1989 chairman's statement, chairman Dammy Watt said in the group's published results for the six months to March 31.

This was largely due to the higher than expected rand/dollar exchange rate and the difficult trading conditions in the base minerals market, he said

"These circumstances are expected to continue for the remainder of the year and, accordingly, attributable profits are expected to be at a similar level to those achieved last year (R216,3m)"

The 1989 attributable profit was up 31% on the previous year's attributable profit

Watt said earnings a share were likely to be approximately 20% lower

"Should the expected profits for the year materialise, the directors anticipate declaring an unchanged final dividend," he said

He pointed out although attributable income was only marginally down, earnings a share at 727c (886c) reflected a larger fall because of a 33% increase in the number of issued shares — 14,9-million compared with 11,2-million — following a rights offer to shareholders

A group spokesman said the drop in margins and the exchange rate limited interim working profit to 9% on a 45% increase in turnover of R755m

Taxed income for the six months increased 3% to R122,3m and the interim dividend a share was the same at 120c on marginally reduced attributable income of R98,3m (March 1989 R99,3m)

Factors contributing to the higher turnover were improved coal revenues, the increased share acquired in the Middelburg coal mine joint venture when BP sold its stake, and the consolidation of Vansa Vanadium for the full six months, directors said in their review of the six months.

The group's expansion is reflected in its capex outlay of R589m (1989 R248m), mainly on its coal and platinum operations and its contracted capex commitments of R226m, the group spokesman said

He said the stake of outside shareholders increased from R458m to R608m at the end of March

Watt said the contribution of the coal division had grown by nearly 20% compared with the same period last year, and the contribution from the property division had also increased.

These compensated for the lower contributions by the gold and platinum divisions and by the gold dump recycling plants

Compared with the corresponding six months, ratios are stronger with a total liabilities to equity ratio of 75% (98%) and a debt to equity ratio of 50% (63%).

Net asset value a share at March 31 was higher at R106,6 from R97,6 at end March 1989.

F/M 18/5/90 (215)

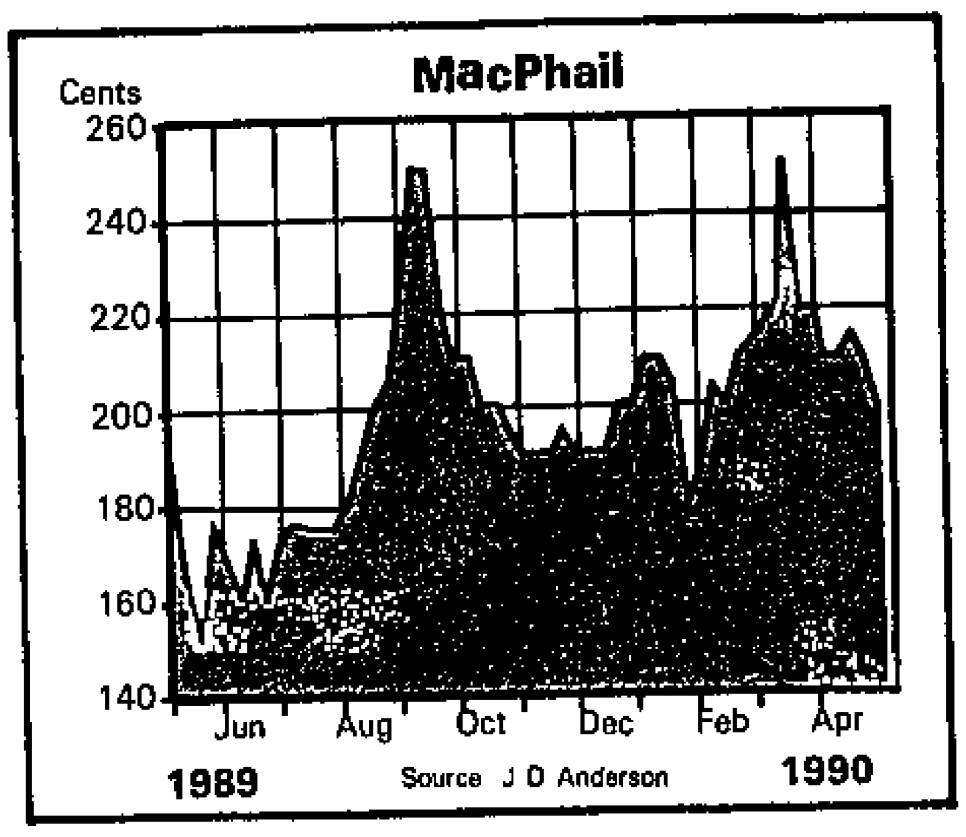
MACPHAIL F/M 18/5/90

Burning market (215)

Activities: *Coal merchant*
Control: *W&A 56%*
Chairman: *I Posniak, CE S Weintroub*
Capital structure: *14,2m ords Market capitalisation R29,8m*
Share market. *Price 210c Yields 7,9% on dividend, 19,8% on earnings, PE ratio, 5,1, cover, 2,5. 12-month high, 250c, low, 140c Trading volume last quarter, 370 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	0,3	0,2	0,6	0,07
LT debt (Rm)	1,6	0,2	0,2	0,2
Debt equity ratio	0,44*	—	—	—
Shareholders' interest	0,31	0,40	0,35	0,33
Int & leasing cover	1,78	35,2	n/a	n/a
Return on cap (%)	6,0	16,2	19,5	24,1
Turnover (Rm)	58,4	67,5	100,1	153,4
Pre-int profit (Rm)	8,3	2,8	5,1	9,2
Pre-int margin (%)	1,4	4,0	5,1	6,0
Earnings (c)	7,5†	15,6†	26,5†	41,5
Dividends (c)	2,0†	7,0†	11†	16,5
Net worth (c)	41,6†	62,4†	66,5†	83,7

* Includes non interest-bearing debt
† Adjusted for 4 1 share consolidation in 1989



Source J D Anderson

A combination of better asset management and major inroads into domestic markets, abandoned by the Transvaal Coal Owners' Association early in 1989, resulted in more remarkable growth from MacPhail last year

Turnover, earnings and dividends increased 53%, 57% and 50% respectively, after 48%, 70% and 57% in 1988, the first year after FSI's takeover of W&A

Operating margin rose to 6% (5,1%), having increased from 1,4% in 1986 Return on assets managed (ROAM), W&A's prime internal measure, soared to 116%, from 15,4% in 1986 W&A's average ROAM last year was 27,8%, so MacPhail was its best-performing subsidiary CE Sid Weintroub says the high ROAM was achieved largely through improved management of stock and debtors

The R12,7m cash pile compares with only R3m in depreciated fixed assets and R21m in other assets MacPhail is still seeking acquisitions for cash inside and outside the coal distribution field If or when one is found, ROAM is likely to decline, but earnings should increase Growth last year was purely organic Weintroub expects further real growth this year, though not at last year's pace He says while individual industrial customers are taking less tons because of the economy's downturn, the increasing number of customers will provide growth

In line with W&A's policy, MacPhail does not write off goodwill in arriving at its net worth at 121c If goodwill is deducted, net worth drops to 84c (1988.67c) The share's rating has not improved over the past year, in part because of last year's four-for-one consolidation and the premium to net worth Against that should be set Weintroub's expectation of real growth this year

Teigue Payne

Star 19/5/90

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SA has to face hard, coal facts

Greenpiece

JAMES CLARKE

I AM surprised at Eskom's chief of communications, Johan du Plessis, getting so tetchy about The Star's views regarding future power sources. In Readers' Letters yesterday he accused us of "a number of misconceptions" in an editorial

We obviously touched a raw nerve I can only think it was by saying that nuclear power's popularity is waning (he claims it is not) and by mentioning solar power favourably

At least he shared our enthusiasm for hydro-electric power from the River Zaire which could provide Southern Africa with 100 000 MW We could then, theoretically, close all our thermal power stations (capable of producing 30 000 MW) But we'd still need some form of thermal back-up "just in case"

My personal view is that a nuclear power back-up would be preferable to coal, if only because coal emits so much carbon dioxide (CO2)

I firmly believe that global fears of CO2 — experts blame it for the greenhouse effect — will culminate soon in global laws restricting the amount going into the atmosphere

"Dirty" countries, like us, will be forced to clean up

It would be stupid for Eskom to build another coal-fired station.

Criminal smog

On Wednesday I drove through the "power belt" of the eastern Transvaal and the smog was criminal.

This is why, at the June 20-21 symposium on "Nuclear technology in Southern Africa", I shall be jointly presenting a pro-nuclear paper with an Eskom nuclear technologist, Andre van Heerden, examining public attitudes.

The Star's editorial which irritated Johan du Plessis so, claimed that the uneasy popularity that nuclear power used to enjoy was badly damaged by the Three Mile Island mishap and might have been even terminally damaged by Chernobyl.

Certainly the nuclear industry will have to redouble its efforts to win back confidence.

Mr du Plessis scoffs at our view that California's 80 MW solar station has significance He says that to supply Johannesburg by means of solar power we would need to smother 220 sq km with solar panels The Star would never suggest so daft a scheme.

On the other hand much smaller stations than California's could be used to supply *most* towns across the Karoo and the dry west of southern Africa.

Sasol's new colliery on stream in 1992

B/Day 22/5/90

EDWARD WEST

SASOL's new R128,6m colliery, Syferfontein, which is situated near Trichardt in the Transvaal, is to come on stream by 1992.

It would reach full production in 1993, a Sasol spokesman said yesterday.

The colliery's output is to replace the annual 4,7-million tons of coal being bought from sources other than Sasol's own collieries, which produced 35,44-million tons of coal last year.

Sasol's Sigma colliery supplies Sasol I with coal, while its Secunda Colliery complex — comprising the Middelbult, Brandpsruit, Twistdraai and Bosjesspruit mines — supplies Sasol 2 and Sasol 3.

The spokesman said the open-cast strip mine would boost Sasol's coal production by six million tons a year to 43-million tons.

The need for a fifth mine arose in 1987 when demand for coal at Sasol 2 and Sasol 3 exceeded the existing mines' capacity to supply.

In 1987 a Sasol project team was elected to find a solution for the coal supply problem.

They eventually decided on opening a new dragline colliery. Meanwhile two walking draglines — each worth tens of millions of rands — were ordered for the new project.

Genrec subsidiary Wadeville Engineering had begun fabrication of a large portion of two 4 200-ton, US-designed walking draglines to be used at Syferfontein.

Components to be manufactured by Wadeville Engineering, which had constructed 21 out of 25 draglines built in SA, included the base frame, rotating structure, tri-structure, walking shoes and gear cases, the SA Mining publication said.

SA importing 'better quality' coal from US

KIN BENTLEY (215)

LONDON — SA has started importing coal from the US and Poland to improve the productivity of Iscor's coke ovens.

Although one of the largest exporters of coal, the Financial Times reported yesterday, SA had started importing coking coal because of the poor quality of the local product.

Although SA exports to the US have been banned for a number of years, US exports remain perfectly legal.

The imports from Polish state exporter Weglokoks through a trader began in March, according to the Financial Times.

Meanwhile, a major west Canadian coal exporter is also said to be advanced in preparations for at least one shipment.

Iscor has indicated an annual requirement of 500 000 tons is likely.

SA coal is formally banned from relatively few major coal importing countries — notably Denmark. Others, like France, or companies like Britain's National Power and PowerGen, choose not to buy from SA.

BD 23/5/90

Conflicting

Meanwhile the price of low-sulphur coal, of which SA is one of the world's major producers, was set to soar as demand for the increasingly scarce commodity grows worldwide, predicted British Coal chairman Sir Robert Haslam yesterday.

There were conflicting views yesterday on whether British coal-fired power stations are using SA coal. The two major generators for England and Wales yesterday denied using SA coal, while Arthur Scargill of the National Union of Mineworkers said they did.

Haslam said the use of natural gas would be "our most formidable competitor during the next decade".

He continued: "Equally seriously, some of our otherwise competitive collieries are now being faced with the potential threat of large quantities of low sulphur coal imports to meet EC targets on acid rain gas emissions."

He said: "The generators are likely to find themselves chasing even scarcer and very expensive tonnages of this future premium coal, which will be in great demand worldwide."

CAPE TIMES 23/5/90

Sasol colliery on steam in 1992

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Own Correspondent

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Carrying coals to Newcastle

(215) Star 23/5/90

LONDON — South Africa, one of the world's major coal exporters, is starting to import coal, and is doing so from at least one country that bans South African imports.

The imports have been arriving at the Richards Bay terminal from the US and Poland.

Although imports from South Africa into the US have been banned for a number of years, exports are perfectly legal.

Another supplier shipping to Richards Bay in March was Poland from state exporter Weglokoks through the intermediary of a trader.

A major Canadian coal exporter is said to be advanced in preparation for at least one shipment.

Although South Africa exports both coking and steam coal, the coking coal is of poor quality, as is most of that produced for domestic consumption.

This has led Iscor in the past few months to seek high-quality, low-ash coals to improve the productivity of its coke ovens.

Coal traders believe that, depending on quality, between 500 000 and one million tons will be required annually.

South African coal is formally banned from relatively few major coal-importing countries, notably Denmark.

Other countries such as France, or companies like National Power and PowerGen choose not to buy from South Africa, although imports are perfectly legal into both Britain and France.

That Poland is involved is something of a surprise. The antipathy of the former East Bloc nations towards South Africa was so much beyond question that nobody bothered questioning it.

The reality is somewhat different.

Romania has been importing South African steam coal for years, while East Germany and China have been occasional buyers. — Financial Times in earnings for this year *Andrew McNulty*

RAND MINES (~~215~~) (215)

Sword of Damocles

Just what is going on at Rand Mines? Attributable profits have fallen despite chairman Dammy Watt's forecast of an increase in his last statement to shareholders, the group is highly illiquid, with net current liabilities soaring to R193m from R144m in the past six months despite the R276m rights issue; and management is scrambling to raise cash by selling residue dumps and to collect State aid needed to save a critically ill ERPM from pegging out completely

Watt has tried to sugar the pill by talking of an unchanged final dividend to follow the unchanged interim. Investors are unimpressed as the hint of a maintained dividend is hedged with caveats and it is well nigh impossible to find a portfolio manager persuaded that Watt's forecast of unchanged profits will be achieved It was only in November that the chairman was cheerily expecting a profit increase for this year

The market's view is unequivocal Rand Mines' tightly held shares are trading at R105, down about a quarter from practically R140 only a month ago.

Management lays the blame for the slow 8,9% working profit increase at the door of poorer trading conditions in the base minerals market and narrower coal mining margins. That is strange, as 71%-owned subsidiary Witbank Colliery reported profits of R10,21/t in the first half of this year against R6,44/t in the corresponding period of financial 1989. Given that, portfolio managers ask, what the heck has been going on at 50%-owned Rietspruit to reduce coal mining margins? FM 25/5/'90

The unchanged profit prediction is doubly strange as Vansa is already benefiting from higher vanadium prices and the fact that its plant is at last operating at full design capacity

ERPM's problems have been extensively chronicled. The latest disavowal of responsibility is from the consulting geologists, Venmyn, which claims that underground gold grades disclosed by development in the new areas are in line with those predicted initially. "It's a pity," one exasperated portfolio manager says, "the geologists couldn't have done something more useful, like predicting the lousy gold recoveries ERPM is achieving" But if the geologists are not to blame for the ERPM shambles, who is? If ERPM is liquidated, Rand Mines will be on the line; for one thing it has effectively borrowed R30m from Witbank's Douglas subsidiary to lend to ERPM (*Fox* May 4).

FM 25/5/90 (~~215~~) (215)

Barlow Rand deputy chairman Derek Cooper is emphatic that neither Barlow Rand nor Rand Mines will stump up any further guarantees of ERPM's debts. On the other hand, it is hard to envisage the State providing additional assistance to ERPM without some cast-iron debt repayment guarantees.

For now Rand Mine's share has little going for it. Liquidity difficulties could be resolved by selling portfolio investments, but that is not an option management is likely to take easily while gold shares remain depressed. Rand Mines has been steadily selling ERPM shares for the past 18 months and, presumably, those sales will continue while the mine's future remains in the balance.

Jim Jones

TAKING A DIVE

Six months to ...	Mar 31 1989	Sep 30 1989	Mar 31 1990
Turnover (Rm)	520	848	756
Working profit (Rm)	164	236	178
Pre-tax profit (Rm)	145	191	150
Attrib profit (Rm)	99	117	98
Earnings (c)	886	1 043	727
Dividend (c) .. .	120	440	120

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FM 25/5/90

GOING BACK FOR SECONDS

Iscor has launched an innovative project to recover scarce coking coal over the next 10 years from two old slimes dams at its Durnacol colliery. The company expects to recover R85m worth of coking coal after an investment of R6,5m and annual operating costs of R900 000.

Iscor will recover 810 000 t over the next decade at a rate of 6 500 t a month. Coking coal is an essential element in the production of liquid iron by the traditional blast furnace method.

The march of technology now makes it possible to recover the old coking coal "Our Durnacol mine (at Dannhauser, in northern Natal) has been producing for 88 years and has an estimated 20 years of life left," says Iscor senior GM mining Ben Alberts "We now have the technology to recover the coking fines (fine coal) that have been building up in those dams for nearly 90 years."

Another major step recently taken by Iscor to conserve scarce deposits of coking coal — and increase efficiency — is working well. Late last year, Iscor became the first steelmaker in the world to commission a Corex plant, which produces liquid iron by using ordinary power station coal. This type of coal is plentiful and cheap here.

The unit, at Iscor's Pretoria works, can produce 300 000 t of liquid iron a year. The cost of production is reduced because coke (produced from coking coal) and sinter (treated iron ore) are not necessary. Both are essential for the blast furnace method of producing liquid iron.

the producer and the impact on these markets.

History of growth and diversification

F.Mail 23/3/90

THE South African Coal, Oil and Gas Corporation (later to become Sasol) was formed in 1950.

The company was established as an ordinary profit-motivated concern with capital provided by government through the Industrial Development Corporation.

The original plant was built at Sasolburg and used German and US-based technology.

Modified

However, extensive local oil-from-coal research led to the development of more economical technology and the plant was later modified.

In 1972, Sasol acquired the rights to the Sasol Synthol Process.

The company established itself during the '60s as an important supplier of raw material for the chemical industry, producing butadiene and styrene for synthetic rubber, ammonia for fertilisers and ethylene for, among others, the plastics industry.

Sasol formed Gascor in 1964 and this company supplies Sasol fuel gas to about 700 firms in the southern Transvaal.

Sasol started refining imported crude oil in 1967 and created National Petroleum Refiners of SA in 1969.

During 1979, Sasol Limited was established as the holding company of the Sasol Group and the company was quoted on the Johannesburg Stock Exchange.

The company expanded still further with the completion of Sasol III in May 1982.

In 1983 the company entered the fertiliser market and started manufacturing explosives in 1986.

FIM 25/5/90 (215)

MINETEC FIM 25/5/90 (215)

Taxing times

A buoyant coal sector and the turnaround of Angcon Technologies boosted Minetec's operating profit last year However, financing acquisitions and new operations lifted debt which, in turn, led to some profit erosion ahead of tax

Activities: *Manufactures and distributes mining equipment and manufactures electricity meters*

Control: *Directors 54,6%*

Chairman: *A J Hodgson, MD J L Martin*

Capital structure. *11,8m ords Market capitalisation R2,8m*

Share market: *Price 24c Yields n/a on dividend, 10,8% on earnings, PE ratio, 9,2, cover, n/a 12-month high, 39c, low, 18c. Trading volume last quarter, 274 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	—	0,04	0,87	2,65
LT debt (Rm)	—	0,09	0,14	0,53
Debt equity ratio	—	—	0,34	1,32
Shareholders' interest	0,39	0,29	0,26	0,22
Int & leasing cover	7,9	9,3	1,74	2,21
Return on cap (%)	21,4	17,9	5,3	10,8
Turnover (Rm)	8,3	9,9	12,0	22,0
Pre-int profit (Rm)	0,8	1,0	4,0	1,2
Pre-int margin (%)	10,0	10,1	3,3	5,5
Earnings (c)	4,1	5,9	0,5	2,6
Dividends (c)	2,0	2,5	—	—
Net worth (c)	13,5	14,6	14,1	15,6

Operating profit rose to R1,2m in 1989 from 1988's R400 000 as turnover grew strongly and margins increased. About 80% of Minetec's turnover comes from its mining division which largely serves the flourishing coal sector It now includes newly acquired Hydratech, which manufactures feeder breakers, and two companies formed for the manufacture of roofbolters and blasting bags. Minetec also secured the franchise for Fairchild International mining equipment

Subsidiary Angcon, which produces electricity prepayment meters and contributes about 20% of group turnover, turned a 1988 loss of R320 000 into a R140 000 profit in 1989 The market for these meters remained strong but below expectations

The development and securing of these various opportunities and increase in working capital requirements caused debt to skyrocket Interest charges climbed, limiting the rise in attributable income, though it is still well up on the previous year The debt.equity ratio stands at a precarious 1,32 and interest and debt cover, though still unacceptably low, have both improved

The share issue in part payment for Hydratech diluted earnings per share marginally and no dividend has been declared in an attempt to build cash resources

MD Jimmy Martin is bullish on activity in the coal mining sector this year and expects some early benefits from sales of the Fairchild low-seam continuous miner He is cautious about prospects further down the line

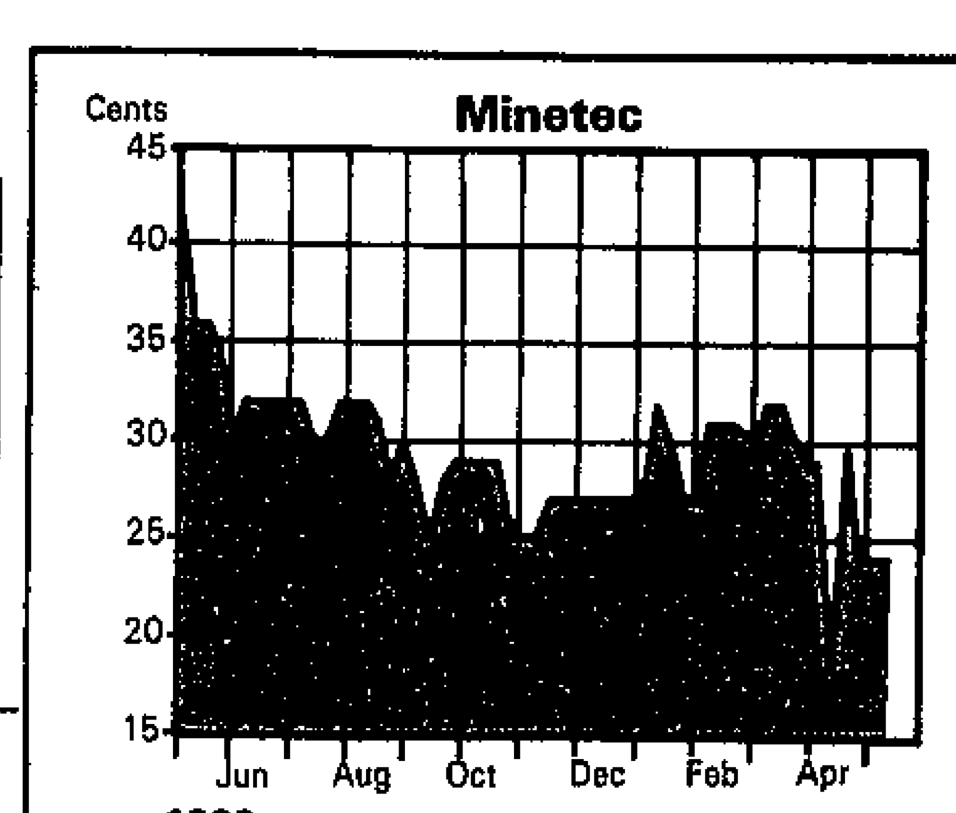
25/5/90 FIM (215) 25/5/90

but hopes to offset any coal industry difficulties by diversification into products for gold and platinum mines Angcon, he says, is facing increasing competition and, though market share might slip from its present 90%, the market is still growing and margins are not under pressure. Angcon's current order book is 50% higher than last year

Martin adds that the company is performing according to budget and if it continues to do so debt will be reduced and dividends restored by the end of 1990 No further acquisitions are envisaged and it seems Martin is expecting a sharp improvement in the company's operating performance

Shareholders seem to share his optimism The share, though off its 12-month high, is trading at 24c, which represents a premium to net worth and an earnings yield of 10,8%

Pam Baskind



B Day 29/5/90

Decline in domestic sales for Amcoal

EDWARD WEST

AMCOAL sales of coal and coke for the year to end-March were 43,13-million tons, 2,37-million tons or 5,2% lower than 45,5-million tons sold the previous year, Amcoal's latest annual report states.

Sales to Eskom decreased by 8,7% to 29,9-million tons due to closure of New Largo and Cornelia collieries and to reduced offtake by Grootvlei, Kriel and Lethabo power stations supplied by New Vaal, Kriel and Springfield collieries.

Amcoal's exports of 10,53-million tons was an increase of 0,52-million tons due to increased demand for SA steam coal.

Domestic sales declined due to reduced industrial consumption and lower levels of generation at municipal power stations. Working costs a sales ton at collieries increased 15,9% while costs a ton rose by 19,9% at trade collieries.

To maintain Amcoal's position in export markets, a project study was in progress to exploit the remaining mining areas available to Landau colliery to secure 4-million annual tons of export coal for a period of 30 years. (215)

This would meet Amcoal's growing entitlement through Richards Bay and would replace tonnages from mini-pits and beneficiated through the old coal processing facilities at Landau, the report said.

There would have to be greater progress in the years ahead in improving real prices of coal on world markets in order to ensure the viability of these and future projects.

Colliery profits wind down

BDay 4/6/90

SYLVIA DU PLESSIS

(215)

VIERFONTEIN Colliery, awaiting a closure certificate, has reported a R99 000 profit after taxation and realisation of assets in the year to March, compared to R163 000 in the 1989 financial year

Earnings and net realisation of assets amounted to 2,5c (4,1c) a share, while total dividends were limited to 4c (6c) — covered 0,6 (0,7) times — in view of uncertainty regarding the timing of obtaining a closure certificate.

Directors said work on the closure of the company's colliery and the rehabilitation of surface areas had been completed, as had a sampling programme done to determine the quality of water in the underground workings.

A consultant's report on whether corrective measures would be required was being awaited. Once it had been received, a formal application for a closure certificate would be submitted

Mining operations at coal-listed Vierfontein stopped in March 1988

BD 4/6/90 (215)

Iscor has eyes on a second Corex plant

By Roy Cokayne

Iscor is involved in discussions with Voest-Alpine — the developers of the revolutionary Corex (coal reduction) process and the multimillion rand plant built at its Pretoria works — about the construction of another plant.

This has been confirmed by Voest-Alpine vice-president Horst Wiesinger and Iscor public relations manager Piet du Plessis

However, Mr du Plessis says nothing had been decided yet

The Corex plant at Pretoria was brought into trial production in 1988 and was successfully commissioned last December, with Iscor taking full responsibility for it from the beginning of May

Last week Iscor hosted a two-day conference in Pretoria organised by Voest-Alpine's head office in Austria, and attended by about 160 delegates from 18 countries

Mr Wiesinger said the conference marked the start of his company's campaign to market the Corex process worldwide.

"The main aim of the conference was to demonstrate the production processes and technology used, and inform delegates of the results achieved by the plant at the Pretoria works after half a year of successful performance

"Delegates were very excited by the process and there is tremendous interest in it worldwide," he said.

The plant produces 40 tons of liquid iron an hour — 300 000 tons a year — directly from iron ore, using local non-coking coal

This eliminates the use of high-quality coking coal — expensive and rare in South Africa — used in the traditional blast-furnace process.

Mr Wiesinger said only eight percent of the world's coal reserves consisted of coking coal, concentrated in six countries.

He said the Corex process was 25 percent cheaper than traditional methods, and made a country independent of coking coal, while the environmental issue, which had become an important consideration — particularly in Europe — was a further reason to consider the technology.

About 20 percent less dust was emitted by a Corex plant than a conventional plant, he said.

Mr Wiesinger said the new Corex plant model would have a production capacity of 700 000 tons a year, with a third derivative producing one million tons a year.

He admitted problems were experienced with the plant at Iscor's Pretoria works in trial production, but these revolved around the recycling system and some compressors, not the process.

"The Corex plant at Iscor's Pretoria works is now running above the guaranteed production figure of 300 000 tons a year, and we're quite sure we can optimise the process further and increase its capacity," he said

Iscor MD Willem van Wyk said the Corex plant had provided Iscor with world-leading experience

Frigate Group trading frozen

B/Day 5/6/90.

RIAAN SMIT

TRADING in the shares of coal producer Frigate Group was suspended yesterday on request of the company's directors, the JSE said

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A published announcement today said negotiations the company was conducting could affect its share price.

A SMOGGY DAY . . . in Soweto town. The sun's been up a whilebut this taxi still needs lights in the the polluted, hovering

215 Star 9/6/90

Smokeless coal must be SA's target

JAMES CLARKE

IT WAS to be expected World Environment Week ended in Soweto this week just as it began — smoggy.

But rather than dampen the enthusiasm of 70 delegates at a Soweto workshop on air pollution — organised by the National Association for Clean Air — it sharpened their resolve

As the acrid smell of 100 000 inefficient stoves wafted over the grounds of Funda Centre on Thursday delegates threw grave doubt on Eskom's R6 000 million solution to the problem.

Black areas

Eskom expects to spend that much electrifying all our black areas. Only three out of seven South Africans have access to electricity.

While everybody was enthusiastic about electrification, delegates felt the R6 000 million would do nothing to abate the smoke — not unless the Government send in the cops to smash all South Africa's 1,3 million cast iron coal stoves and then frog-marched everybody to the electrical appliance showrooms

Talking to delegates it seems that home-owners yearn for electric lights and a bit of telly in the evenings, electric stoves are something else.

An electric stove merely cooks food.

But a coal stove not only cooks food, it heats up the whole house and all household water too. And you can keep a kettle boiling, keep food warm for hours, boil the weekly wash, dry, wet clothes overnight — and sit around it in winter.

Said Mr W R "Bill" Muirhead, a plain-speaking North-country Englishman — and director of one of the world's biggest stove manufacturers (electrical and coal) "When Britain went smokeless in the 1960s it didn't force people to throw away their coal stoves. There would have been a bloody riot.

"It's not *stoves* that smoke. It is coal."

Britain and Europe succeeded in clearing the air by banning raw coal as a fuel. Householders nowadays use only smokeless briquettes.

"In Britain, AB income homes, especially large, top-bracket homes, favour coal stoves these days The disenchantment with nuclear power may well mean even more reliance on coal."

'Don't work'

He said South Africa is one of the few countries still making smokeless stoves as opposed to smokeless fuel

"Smokeless stoves don't work As soon as they are installed owners pull out the anti-smoke devices out so the stoves can be stoked up more easily.

"And there's no export market for South Africa's smokeless stoves," said Mr Muirhead.

"Nobody wants them. But there would be a fantastic export market for smokeless coal."

A delegate, who suggested we had not the technology to make smokeless fuel, sat bolt upright when Mr Muirhead replied "Bullshit!"

He said how can a country which leads the world in turning coal into oil and which is spending billions on Mossgas say it isn't clever enough to develop smokeless coal?

In the lobby he told me· "You're halfway there at Secunda."

Pollution expert with Johannesburg's health office, Martin Turner, said: "Creating smoke is throwing coal away"

He said people do not realise that less smoke meant more energy efficiency thus saving money

Mike Harris, a coal expert who thought South Africa would be wrong not to exploit its "abundant supplies of cheap coal" to the full, might have put his finger on the problem

Cheap and dirty

He agreed that the route to blue skies lay through using clean fuel but the problem was coal was so cheap.

He knew of no meaningful research into beneficiating coal.

He said there was also the problem of "the home market (being) controlled by too limited a group of organisations".

It did not make sense, he said, that the cheapest and dirtiest coal — "D grade duff" — cost R13,26 a ton at the pithead in 1985 and had dropped to R11 last year.

Even good coal — now around R42 a ton — was extraordinarily cheap.

Later, in the lobby, somebody recalled Ian McCrae of Eskom saying last week that squatters buy coal by the hubcapful, or in miner's hardhats — and pay the equivalent of R1 000 a ton

Somebody said "Then they go home and burn it in a tin, wasting 90 percent of the heat."

Mr Harris said· "With that sort of pithead price no wonder there is a lack of good research"

The day ended with Soweto setting up a branch the National Association for Clean Air under the chairmanship of Jubulane Sithole

Among those who applauded was Jack Easterbrook of Johannesburg — he founded Naca 21 years ago to the day

AMCOAL

Off the Boil

FM 15/6/90 (215)

Activities: *Coal mining for sale to export and domestic markets*
Control: *Anglo American holds 51%*
Chairman: *W G Boustred, MD D Rankin*
Capital structure: *25m ords Market capitalisation R2,3bn*
Share market: *Price 9 200c Yields 4,2% on dividend, 11,1% on earnings, p e ratio, 8,97, cover, 2,66 12-month high, 9 300c, low, 6 400c Trading volume last quarter, 163 102 shares*

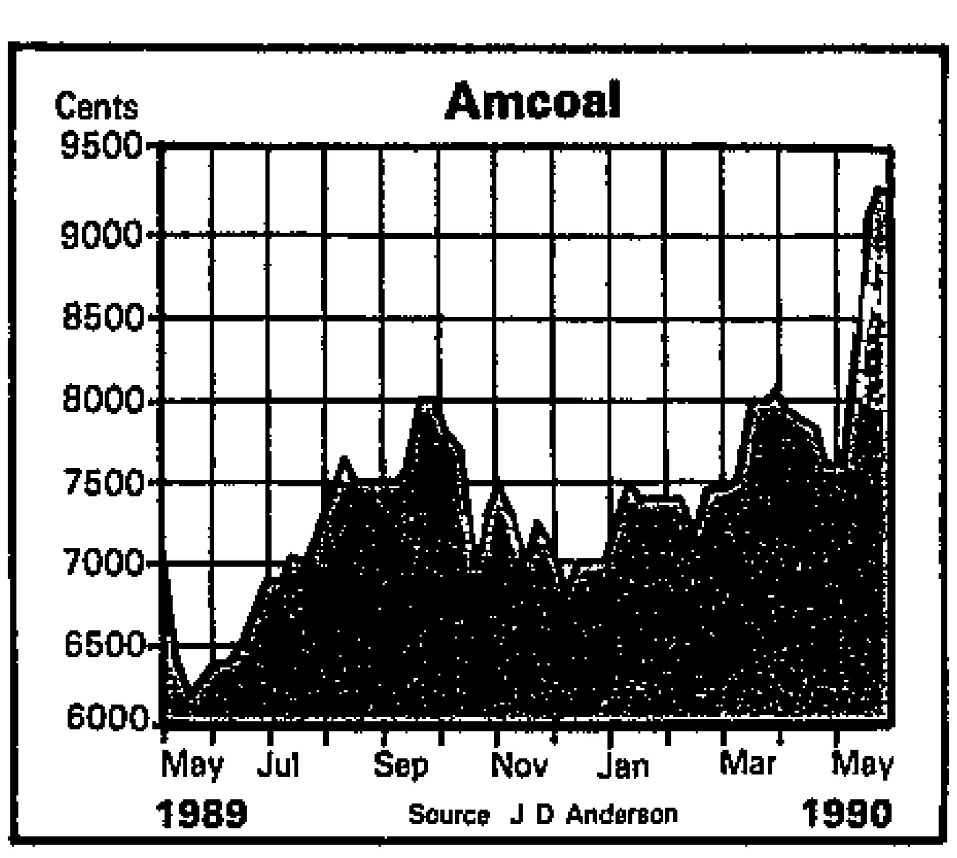
Year to Mar 31	'87	'88	'89	'90
Turnover (Rm)	1182	1144	1446	1753
Coal sales (Mt)	40,9	42,5	45,5	43,1
Pre-tax profit (Rm)	417,7	229,8	364,2	563,7
Earnings (c)	781,1	429,4	665,1	1025,3
Dividends (c)	240,0	240,0	300,0	385,0
Cover (x)	3,26	1,79	2,22	2,66

For the second year running, Amcoal's earnings have risen by an impressive 54% The advance was attributed to three factors. higher export tonnages, higher dollar prices and a weaker exchange rate, which, together, resulted in improved export earnings, improved income from the domestic market, thanks to the new collieries supplying Eskom, and a doubling in net interest due to higher rates and stronger cash flow

Despite an increase in Eskom's electricity sales and coal consumption, Amcoal's coal sales to Eskom fell by 2,9 Mt, or 8,7%, compared with the 1989 year, this gave rise to the 2,4 Mt drop in the group's total coal sales The decline followed the stopping of production at Cornelia and New Largo collieries, a large cutback in Eskom's requirements at Springfield colliery and reduced availability of generating plant at the Kriel and Lethabo power stations Eskom has also been reducing inventories

Eskom is showing lower growth in electricity sales while it still has surplus generating capacity which will slow the demand for new collieries

Metallurgical coal and coke sales to local industry were at much the same level as the previous year, reflecting good conditions in the steel and ferro-alloy markets These markets have, however, turned down, so this year's prospects for Amcoal's sales look weaker



Amcoal's Boustred ... exports are the thing

SA coal is back in favour in foreign markets and increased demand came from certain European countries where availability of hydro-electric and nuclear power fell Amcoal's exports rose in line with the increase in throughput at Richards Bay Coal Terminal (RBCT)

RBCT is spending R316m on badly needed refurbishing and upgrading of its existing facilities This should relieve the stress on the overburdened plant, with the initial expansion to a nominal capacity of 48 Mt next year This would guarantee that the terminal could handle about 46 Mt/year, allowing for maintenance work and unexpected breakdowns Increased throughput will follow when RBCT's annual handling capacity is lifted to 53 Mt a few years later

To take advantage of the higher export quotas which will follow, Amcoal has a project study in progress to exploit the remaining mining areas available to Landau colliery, to secure 4 Mt a year of export coal for 30 years This will be partly expansion and partly replacement tonnage and the undertaking will be highly capital-intensive

Amcoal has generally managed to contain unit working costs at a rate below the ruling SA inflation rate, but cost pressures were high last year and the rate of increase was 15,5% on the Eskom collieries and 19,9% on the trade collieries With output down, the overall increase in working costs per ton for the year was 20,1%, compared with the 10,9% achieved last year

The agreement reached with Spoornet regarding export rail rates as of 1 April, whereby rates will rise by 18% this year and by an agreed formula for the coming four years, should result in lower annual increases As railage forms an important component of costs, this is to be welcomed

The Amcoal share price has had a good run, having risen some 20% since the results were announced last month With the price at a new high, shareholders are seemingly confident about the future

Chairman Graham Boustred strikes a more cautious note "On the basis of the current rand/dollar rate," he says, "Amcoal is forecasting largely unchanged earnings for the year ahead " He adds that, in the longer term, Amcoal is well placed to remain a pre-eminent participant in the SA coal mining industry and to continue to provide real growth for shareholders With the yield at 4,2%, Amcoal remains the best-rated coal share available *Gillian Findlay*

Romanian export deal for coal mine

ANDREW GILL

215

RIETSPRUIT coal mine, jointly ~~owned by~~ Shell SA and Rand Mines, has secured an export contract with Romania through London-based Shell International.

Shell International spokesman Alan Jacobs yesterday confirmed the deal, but refused to give details of its size.

Rietspruit MD Geoff Park said he knew nothing of the deal as Shell International was wholly responsible for marketing Rietspruit's coal and it was not Shell International's policy to disclose where it sold the coal.

He said Rietspruit was purely export orientated and produced about 5-million tons of steam coal a year, but it had the infrastructure to produce 6-million tons if necessary.

B Day 20/6/90

Chamber of Mines president Kennedy Maxwell said yesterday SA exported 47-million tons of coal a year earning R3,6bn in foreign exchange. This gives Rietspruit a 10,6% market share with forex earnings of about R380m.

Park said the mine started production in 1978 and had a contract to supply Shell SA until 1998, but had at least 15 years of reserves left.

50 000 jobs after sanctions

Sowetan 20/6/90

(230) (215) (227)

NEARLY 50 000 jobs could result from the lifting of sanctions on coal exports and positive economic growth, said Mr Kennedy Maxwell, President of the Chamber of Mines, at the Chamber's 100th Annual General meeting yesterday.

Under these conditions total coal output could be expected to increase to 230-million tons per annum by 2 000.

This would mean an estimated increase in direct employment in the coal industry of some 29 000, and a further 18 000 in indirect employment in major sectors of the economy, said Maxwell.

He said the coal mining industry had recorded good results in 1989. Record exports of 47-million tons earned the country R3,6-billion in foreign exchange, some R800-million more than the previous year's figure of R2,8- billion.

"Export sales are expected to increase slightly by volume in 1990, but profit margins are likely to be eroded because of inflationary operating cost increases including higher railage rates.

"Domestic sales fell by some 11,4-million tons in 1989 and are expected to remain weak in 1990, reflecting the current low rate of economic growth." - Sapa

Coal mining: 50 000 new jobs if sanctions lifted

CNT 26/5/90

JOHANNESBURG. — Nearly 50 000 new jobs could result from the lifting of sanctions on coal exports and positive economic growth, said Kennedy Maxwell, President of the Chamber of Mines, at the chamber's 100th general meeting yesterday

Under these conditions total coal output could be expected to increase to 230m tons per annum by the year 2000

In terms of job creation, this would mean an estimated increase in direct employment in the coal industry of some 29 000, and a further 18 000 in indirect employment in major sectors of the economy, said Maxwell

He said the coal mining industry had recorded good results in 1989. Record exports of 47m tons earned the country R3,6bn in foreign exchange, some R800m more than the previous year's figure of R2,8bn

About R270m of this increase was due to higher sales, R120m to higher prices and R410m the result of the depreciation of the rand.

"Export sales are expected to increase slightly by volume in 1990, but profit margins are likely to be eroded because of inflationary operating cost increases including higher railage rates.

"These increasing costs are not likely to be offset by higher dollar prices

"Domestic sales fell by some 11,4m tons in 1989 and are expected to remain weak in 1990, reflecting the current low rate of economic growth," said Maxwell — Sapa burner once again   Arnold van Huyssteen

ISCOR FM 22/6/90 (215)

Coals to Newcastle

Iscor has been padding out scarce supplies of straight coking coal with imports from Poland and the US In the past six months the steelmaker has imported about 200 000 t Most of it from the US

Overseas merchants believe the tonnage imported will eventually build up to 1 Mt annually Though the US bans imports of coal from SA, there is nothing in its statutes to prevent anyone from *exporting* to SA

There are, however, still political sensitivities and, as *The Financial Times International Coal Report* discovered by analysing shipping records, US exporters are ascribing misleading destinations on their export documents to confuse their own Customs. For example, the *Zelande*, loaded with coking coal, sailed from Charleston on February 23, supposedly for Genoa, but arrived in Richards Bay towards the end of March The *Andrew H*, from Norfolk, Virginia, was purportedly bound for Belgium but appeared in Durban on April 4

FM 22/6/90 (215)

Iscor GM mining Ben Alberts confirms the imports and adds that the Polish deal was announced by a visiting trade delegation a few weeks ago Iscor PR Piet du Plessis says it is common knowledge that Poland is buying 600 000 t of iron ore from Iscor However, Alberts insists there was no counter-deal, though he says that might come at a later stage

Continuous negotiations

Alberts is reluctant to discuss any US involvement, labelling it sensitive, but says there are continuous negotiations with the Poles "We are still conducting tests with their coal to see if what we got is what we want, or whether we must get supplies from a different colliery."

He says Iscor constantly monitors world coal markets and reckons prices are reasonable now It is also advisable for Iscor to import coking coal because

- ☐ We do not have big reserves — only three mines produce straight coking coal: Vryheid Coronation and the neighbouring Hlobane Colliery owned by Iscor, and Tshikondeni Colliery in Venda; and
- ☐ The quality of the 25 000 t/week they supply can be enhanced by blending it with imported coal.

Fact is, the Polish coal has few special attributes and imports simply extend SA's own reserves The US coal, on the other hand, has physical characteristics needed for blending to upgrade SA's own coal ■

B/Day 26/6/90 (215)

New record for seaborne coal trade

EDWIN UNDERWOOD

WORLD seaborne coal trade has reached a new record of 323-million tons with exports of steam coal expected to overtake its rival coking coal, according to the monthly shipping review of London shipbroker Simpson, Spence and Young (SS & Y)

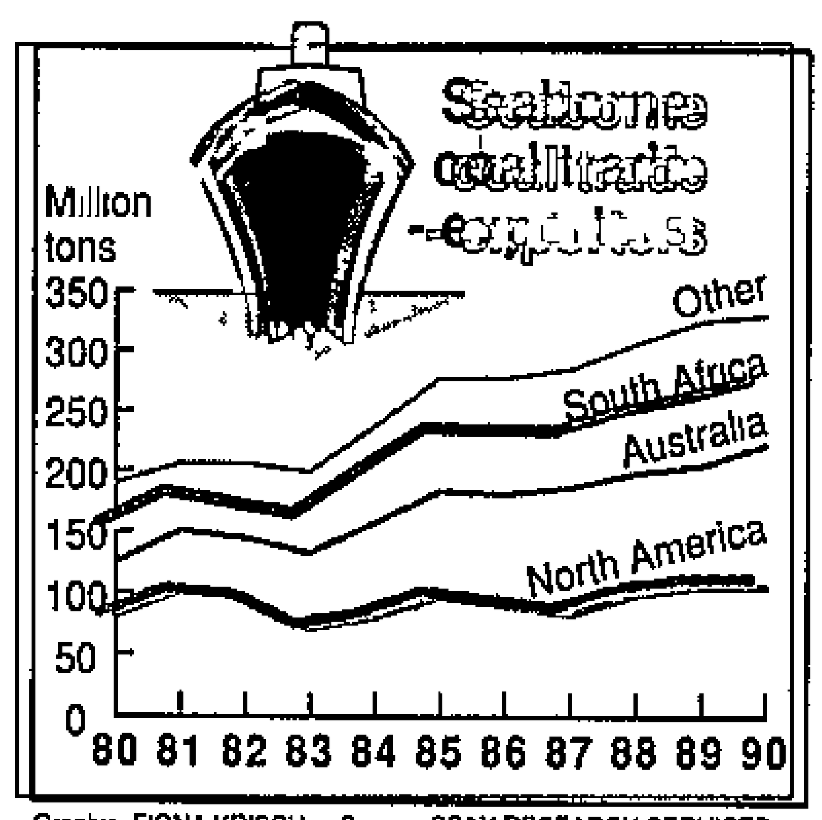
The new record is due to increased global crude steel production forcing coking coal trade to a new level of 163-million tons This is one-million tons above the 1988 total

SA had a better year with export volumes showing the first signs of reviving after two to three years of sanctions.

Most of the demand has been generated by the EC, with French buyers being active on the international market. This is due to a reduction in domestic coal production and a fall of 30% in hydroelectric output because of severe drought conditions.

The increased coal trade is attributed to a 13% rise in the trade of steam coal, reaching a level of 160-million tons

The US increased its market share in the coking and steam coal sectors — achieving almost half the total international trade increase. Australia retained its dominant position as the largest exporter in terms of sales by volume



Graphic FIONA KRISCH Source SS&Y RESEARCH SERVICES

Surprisingly, says SS & Y, Columbia achieved a 30% increase in exports to reach a new record of 13-million tons Venezuela and the UK increased shipments. Columbia and Venezuela were expected to increase exports this year

Demand in the Asia/Pacific region remained stagnant and was not expected to improve this year

SS & Y says prospects of further increases in world seaborne coal trade remain good but are dependant on developments in the steel industry and the severity of the fall in coking coal demands

With export reductions expected in Europe, the international coal trade is expected to benefit in the short term.

ATLANTIS BUYERS' CO-OPERATIVE

LID	NAAM	REP	NAAM
	ADRES		ADRES
FORM 2	MEMBER ORDER FORM NO.	AFLEWER DATUM	

R20m conveyor belt due for Richards Bay

(215)

EDWIN UNDERWOOD

B/Day 26/6/90

RICHARDS Bay Coal Terminal (RBCT) has commissioned the construction of a 450m, R20m overland curved coal conveyor belt — the longest in the world.

The deal forms part of the R20m turnkey project management contract awarded to SWF Technologies and Engineering Management Systems (SWF) in July 1989. SWF is to design and construct the conveyor. When operational the conveyor, carrying coal at a rate of 6 000 tons an hour, will enable Richards Bay to achieve optimal operation tonnage conveyance by mid-1991.

Design work is under way and SWF is making use of its locally developed software package for the design.

SWF bulk materials handling MD Dieter Kehlert said "By opting for a horizontally curved single-flight conveyor, RBCT has eliminated the need to construct three transfer stations and one shuttle conveyor, saving R800 000"

RBCT is running at full capacity of 46-million tons a year By the end of 1991 capacity is expected to be 53-million tons — an annual increase of 9-million tons However, SA's international coal markets are expected to increase by one to two-million tons a year in the present political climate The only other coal exporting ports are Durban and Maputo

The Richards Bay expansion project, costing R136m, is scheduled for completion next year

Burnt miners are placed in intensive care

Star 27/6/90

215

By Abel Mushi

Six of the 10 miners injured in a methane accident at a coal mine in Ermelo in the eastern Transvaal on Monday are still in a serious condition.

The other four are said to be stable

The miners sustained serious burns when methane, a natural gas found in collieries, ignited at the Trans-Natal Coal Corporation's Tafelkop shaft.

The victims were transferred from the Ermelo Hospital to the Rand Mutual, Cottesloe and Milpark Hospitals in Johannesburg.

The six at the Rand Mutual Hospital were yesterday placed in the intensive care unit where a spokesman said they were "very sick". Their names have not yet been released.

The three at the Cottesloe Hospital and the one at the Milpark Hospital were said to be in a satisfactory condition. They are Folkers Maritz, William Raats, Deon Raubenheimer and Terrence Crompton.

More company reports: Pages 18,20

Coal mine revamp to cost R55m

(215)

NEIL YORKE SMITH

THE Rand Mines Douglas Colliery is to spend R55m on a development programme aimed at raising its production and treatment facilities to maximum capacity, it was announced yesterday. B/DAY 29/6/90

Motivation for the three-phased, inter-related expansion programme was a projected increase in exports, according to Douglas Colliery MD Nilo Zolezzi.

In its drive to boost production the colliery had already begun exploiting the deeper reserves of its Wolvekrans South area by mining underground, Zolezzi said. This had involved the opening of a new section called Van Dyk's North, the mining operations of which will be controlled by the Van Dyk's Drift section.

Shaft sinking in the area was in progress and was expected to be completed by year-end, said Zolezzi. The new section will comprise three shafts, one incline and two verticals, and is to produce 175 000 tons of coal a month.

Biggest in world

THE world's largest overland curved coal conveyor will be designed in South Africa by SWF Technologie subsidiary Bulk Materials Handling. S/Times 1/7/90

The 450m-long conveyer will carry 6 000 tons of coal an hour, and is part of the R320m upgrade of the Richards Bay Coal Terminal.

Construction is due to start in September and commissioning is expected in March 1991.

SWF Bulk Materials Handling managing director Dieter Kehlert says the single flight conveyor eliminates the need for three transfer stations and one shuttle conveyor, saving R800 000.

Colliery strike ballot on cards

215 ALAN FINE

THE wage dispute between the NUM and the Chamber of Mines in respect of gold mines has been resolved. However, the union is holding out for more from collieries and is gearing up for a strike ballot among its 35 000 affected members.

NUM assistant general secretary Marcel Golding said last night the union had just conveyed its stance to the chamber.

In terms of the gold mine deal, workers stand to receive increases ranging from 14,5% to 17% BDay 61790

However, in response to an equivalent offer for colliery workers, the union's 20% demand remained on the table.

"Coal mines are much more profitable than the gold mines now. But they pay substantially less than gold mines for the same class of work, and this is a good opportunity for these disparities to be narrowed," Golding said.

The NUM accepted all other facets of the chamber's last offer.

This included a five percentage point increase in holiday leave allowance; the establishment of a working committee to investigate unresolved proposals on skills development and education of black miners, and Gold Fields coming into line with other mining houses on terms for mine accident leave agreed between the NUM and the remainder of the industry in 1986

On hours of work the NUM would "comply with the existing agreement" on a 96-hour fortnight, Golding said. However, it seemed this could lead to a work-to-rule given union allegations of widespread contraventions of the agreement

Golding said the union remained open to further talks on colliery wages.

A chamber spokesman said employers were still studying the NUM response and were not ready to comment.

Belt to stretch 21km

ST Times 8/7/90

215

Business Times Reporter

ONE of the longest conveyor belt systems in the world is to be built by Krupp South Africa for Sasol

The covered belt will stretch for 21,3km from a new opencast mine at Syferfontein, about 8km from Trichardt, to a coal stockyard at Secunda. It will cost more than R80m

Coal will be carried at a rate of 2 000 tons an hour, or 7m tons a year The system is expected to be completed by the middle of next year

Krupp SA is a member of the multinational Fried Krupp group of Germany which last year had a turnover of R22bn

Managing director of the SA company Uwe Geilert says local content of the project is 97% and only specialised basic engineering services and a few technical components have been imported.

More than 40% of the orders for the project have been placed and all other supplies have been secured.

The track will run for 9km in a straight line, then turn almost 90 degrees and curve for another 12,3km. It will cross farmland, three roads, a future highway and a railway line

Frigate gets cash injection of R5 million

Star 17/7/90

215

By Ann Crotty

Finansbank has gained effective control of coal producer and contract mining company Frigate in exchange for a R5 million injection of long-term finance in the form of redeemable preference shares.

The share, which was listed on the JSE last October, was suspended in early June at the request of the company's directors.

The suspension, which was precipitated by cash-flow problems, will be lifted today.

Share capital

According to the official announcement, the funding will be provided through a company called Wakefield Investments, which will hold 40 percent of Frigate's issued share capital.

In exchange for this funding the controlling shareholders of Frigate (which includes management's holdings) have sold 60 percent of their holdings to Wakefield for a nominal R100.

Chief executive Mike Stanley states "In view of the nominal amount, the JSE has confirmed that it will not be necessary to extend a similar offer to Frigate minorities."

According to the prelisting statement, shareholders' funds last year were just over R19 million.

And given that the bottom-line profit was R5 million in the 12 months to end-December '89, it seems unlikely that the previous controlling shareholders have permanently relinquished their status.

COAL MINING FM 20/7/90

A question of jobs

Why is the National Union of Mineworkers (NUM) taking so long to respond to the Chamber of Mines' "final" wage offer to black colliery workers? It accepted the chamber's 14,5%-17% offer on behalf of gold mining members on July 5, but rejected the same offer to coal miners, holding out for an across-the-board 18% to 20% (215) (31)

The chamber's "final" offer was followed on July 6 by separate and improved offers from Amcoal (16,4%-18%) and Trans-Natal (14,5%-28%), but by early this week those two also still awaited a reply JCI, GFSA, Lonrho and Rand Mines have not improved on the chamber's offer and the union is talking of a strike ballot by the end of this week

There were compelling reasons for the NUM to accept a moderate increase for gold miners — thousands of jobs are on the line and some mining groups make no bones about the fact that they are using the present period of low gold prices to reduce employee numbers

Fact is that, since the early-Eighties, retrenchments of unskilled (for that, read black) workers have been proportionately more severe on collieries From 1984-1989, says the chamber, the number of unskilled coal miners dropped by 21,2%, while skilled employment rose by 4,5% Over the same period, coal production rose by 9,2%.

In terms of tons produced per man, unskilled productivity improved by 38,2%, while that of skilled men in charge of sophisticated mechanised equipment rose by only 4,2% (see table).

The reason for the disparity is clear: numbers of unskilled men have been cut as the industry has swung away from labour-intensive underground collieries towards mechanisation and strip mining. It has not led to any great increase in skilled employment, but has helped cut unskilled labour.

Again, over the same arbitrary period, skilled annual wages per man have risen by 96,6% while those of unskilled men advanced 128% Put another way, wages paid to unskilled workers amounted to R2,64 per ton of coal produced in 1989, an increase of 65% on the 1984 average Skilled wages added another R2,07/t, 88,2% more than in 1984

At first glance, the cost and wage increases might appear to be insupportable — and employers have regularly warned of the dangers of retrenchments if wage demands are excessive But, according to the Department of Mineral & Energy Affairs, coal price increases have compensated. The average pit-head price of domestic coal rose by 92% between 1984 and 1989, the average fob export price was 73% ahead

Wage increases to unionised white workers have regularly been lower than inflation for several years, while black union men have generally won inflation-beating increases. As each year's wage negotiating round has been completed, commentators have remarked that moderation has been forced on whites by fears that jobs will be lost to blacks.

The chamber's statistics seem to prove the converse — skilled employment is rising while tumbling black employment has not apparently modified NUM's militancy Nor has the disparity between percentage increases narrowed the absolute gap between skilled and unskilled wages, though the ratio has fallen.

Employers argue that excessive wage demands and sanctions will lead to job losses on coal mines Whether or not there is a causal relationship, black unskilled employment has certainly fallen and the retrenched men have not shifted into skilled labour categories. However, some black miners have moved into skilled jobs previously reserved for whites Their entry, at wages comparable to those paid whites, helps in part explain why average skilled wages have risen proportionately less rapidly than unskilled

But where are the productivity increases supposedly possible when skilled men are given mechanised equipment?

Jim Jones

FM 20/7/90 (215)

ing rights were bought last year to satisfy projected coal demand growth. That has now necessitated the re-financing *Gerhard Slabber*

FRIGATE FM 20/7/90

Square rigged

(215)

Finansbank has bailed out cash-strapped coalminer Frigate and at the same time won control of the company for a nominal R100. Wakefield Investments, Finansbank's subsidiary, has acquired 60% of the directors' 70% controlling shares. In other words, Wakefield gets about 40% of Frigate's equity

Bailing liquidity

In exchange Wakefield has bailed the R63m turnover coal producer out of its short-term liquidity problems by injecting R5m of long-term finance in the form of redeemable preference shares.

The share, listed on the JSE in October, was suspended early in June at the request of the directors They were concerned about cash flow.

Frigate MD Mike Stanley says new min-

Export squeeze for SA coal

By DAVID CARTE

ALLEN COOK, deputy chairman of Rand Mines' coal division, sees export prices weakening in the next few months.

"We are selling at $31 a ton compared with $38 in June 1988 and $27 at the low in September 1987. The contracts are negotiated in November each year. Some SA suppliers are undersold and will no doubt be prepared to pare prices

"After many costly strikes, the Australians have signed productivity agreements with trade unions and are producing apace.

"Producers in the United States, Columbia and China are overcoming problems."

Another setback for SA's coal has come from natural-gas competition in Europe.

"Because the Russians are not buying grain, bulk carriers are experiencing difficulty in filling their ships. So freight rates have plummeted, cutting into the $2/ton freight advantage we have over the Australians in supplying Europe."

Rail tariffs to Richards Bay have become an increasingly intolerable burden, having risen from R7,50/ton to R31 since 1983.

SA coal exports have risen from a million tons a year 13 years ago to 49-million.

The coal-mining industry's competitive advantage depends heavily on its reputation as a reliable supplier. Reliability of supply depends in turn on good labour relations

Perhaps because wages have outstripped inflation for the past 20 years and coal mines are not as mechanised as they could be, National Union of Mineworkers coal branches have tended to be less aggressive than their colleagues in gold mining

Things could change this year

Knowing that marginal mines are in trouble, gold miners have settled with the employers — but the colliery workers have not.

Mr Cook is far from despondent, however. There are several long-term positives for SA coal. (215)

Pollution

The first is that world consumption increases with population growth

There are high hopes of an industrial renaissance in Eastern Europe. Air pollution there is so bad that demand is likely to increase for high-quality low ash and sulphur coal

Coal is under attack, but the world environmental lobby is still strongly against nuclear power. Solar, wind and other types of energy are likely to remain insignificant for years

The prospect of reduced sanctions is also cause for hope.

'edelex

d of last year's figures."

ljoy is curtailing growth to maintain market share. "The faster and the e we grow the higher our borrow- Gearing could be dropped to zero ot buying new sets.

This would enhance short-term its and cash flow, but stunt long- growth."

mpisal's new 51cm sets carry a thly rent of R69,70, including sales and risk cover. The 67cm sets cost 83.

eljoy's new 51cm sets cost R74,65 the 67cm one R86,01.

JACK COHEN

respect of ... million in a right... Focus Holdings right...

(215) B/Day 24/7/90

New mining group set for JSE listing

RIAAN SMIT

A COAL exploration and mining group with extensive interests in the eastern Transvaal and northern Natal will be listed on the JSE next month via a R25m reverse takeover of cash shell Gough Cooper (Goughco).

In terms of the deal, Goughco will change its name to Foston Ltd and move from the property to the mining exploration sector of the JSE's board with effect from August 20 1990.

The R25m consideration will be settled by the issue of 22,2-million ordinary Goughco shares, 2-million ordinary share options in Goughco and R3m in cash.

The group of mining and exploration companies which Goughco is acquiring are Derdehoek Anthracite Mine, Multonland Developments, Rappfos Holdings, Sinkton, and Vlakvarkfontein Colliery.

Between them, the companies claim to own, hold and control about 60-million tons of coal reserves suitable for the domestic and export markets.

After settlement of the cash element of the purchase price and the costs associated with the deal, the Foston group will have R4m cash on hand.

A group spokesman said this, with funds generated from operations, would provide sufficient resources for future exploration and exploitation of existing and potential coal reserves over which prospecting options are held.

The deal would have the effect of increasing net asset value of Goughco/Foston from 92,7c a share to 97,8c. At the time of the suspension of its listing on February 13, Goughco was trading at about 80c.

Foston's earnings for the year to end-June 1991 were forecast at 3c a share — equivalent to about R1m. This forecast assumed that the full 600 000 ton production at the group's new Arbor mine, near Delmas, was sold at the current prices of R26 a ton for raw-sized coal and R34 a ton for washed-sized coal.

Owing to the nature of the group's exploration operations it was not possible to determine the earnings from that source, the announcement said.

Prospecting

The key people and controlling shareholders behind Foston are deputy chairman Don Muller and MD Carel Pistorius.

Muller, a civil engineer, a former director of Anglo American subsidiaries Boart, LTA and Shaft Sinkers, has also served on the boards of subsidiary companies of Concor.

Pistorius, a qualified mine manager and director of companies, has a 41-year mining background which covers prospecting, shaft sinking, tunnelling and underground construction and opencast mining.

Foston chairman is Professor Piet Nel, a chartered accountant and former chairman of chartered accounting group Hoek and Wiehahn. He is on the western Transvaal board of the United Building Society.

Coal explorer goes to JSE

Star 24/7/90 (215)

Finance Staff

A coal exploration and mining group with extensive interests in the Eastern Transvaal and Northern Natal is going to the JSE next month via a R25 million reverse takeover of cash shell Gough Cooper (Goughco).

Goughco will change its name to Foston Limited and move from the property to the mining exploration board with effect from August. Goughco has been suspended since February.

A group of mining and exploration companies will be reversed into Goughco for a total consideration of R25,2 million.

This will be raised by the issue of 22,2 million ordinary Goughco shares, two million ordinary share options in Goughco and R3 million in cash.

The companies Goughco is acquiring are Derdehoek Anthracite Pty, Multonland Developments Pty, Rappfos Holdings Pty, Sink-Ton Pty and Vlakvarkfontein Colliery Pty

Between them, they own, hold and control 60 million tons of coal reserves suitable for both the domestic and export markets.

After settlement of the cash element of the purchase price and the costs associated with the deal, the Foston group will have R4 million on hand.

This, together with funds generated from operations, will provide sufficient resources for future exploration and exploitation of both existing and potential coal reserves over which prospecting options are held.

12 000 coalminers vote on strike action

Argus 27/7/90 (215)

The Argus Correspondent

JOHANNESBURG. — About 12 000 National Union of Mineworkers (NUM) members were taking part in a strike ballot at coal mines across the country, said union spokesman Mr Jerry Majatladi.

The ballot was called after wage negotiations between the Chamber of Mines and the NUM fell through earlier this month. The union accepted the chamber's wage offer of 14,5 to 17 percent increase on gold mines, but rejected the offer on coal mines.

Mr Majatladi said that although only NUM members were being ballotted it was likely others on the affected coal mines would join the union if the vote was for a strike.

The task of having to move from one shaft to another meant the ballot result was coming in slowly and would probably be known only in a few days, he said.

FOSTON F/M 27/7/90 (215)

Houses into coal

Gough Cooper, the former property developer turned cash shell, is soon to re-appear on the JSE as a coal exploration company The share, to be renamed Foston, is headed for the market's Exploration section August 20

The new listing follows a R25,2m acquisition of five coal concessions in the eastern

F/M 27/7/90

Transvaal and northern Natal — Derdehoek Anthracite Mine, Multonland Developments, Rappfos Holdings, Sink-Ton and Vlakvarkfontein Colliery — containing a combined estimated 60 Mt of coal Payment is made up of 22 198 441 ordinary shares valued at R1 apiece, 2m options valued at nothing and R3m in cash (215)

The deal is calculated to lift Goughco's net worth from 92,7c to 97,8c

One of the deposits has recently been brought into production, New Arbor (on the Rappfos property near Delmas), at a rate of 600 000 t/year. The mine was established in March this year and production began in April. So far, all output has been sold locally and the group is believed to be negotiating an export contract.

Assuming that the full year's production is sold at current local prices of R26/t for raw sized coal and R34/t for washed sized coal, the directors reckon Foston will earn about R1m, or about 3c a share this year That's a pre-tax figure, but the directors also reckon a tax liability will not be incurred until 1995.

The group will have R4m in cash after settlement of the deal which, together with the funds generated from operations, is estimated to be enough to pay for the next three years' exploration and development

Foston will essentially remain an exploration company with the primary focus of its business being prospecting, specifically for larger deposits of coal and anthracite The deposits currently held are more likely to be sold than developed into collieries by Foston itself Retentions are to be kept to a maximum in the near to medium-term and dividends are unlikely to be declared before 1994 Roger Lewis, of sponsoring broker Davis Borkum Hare, is looking to only a 1c dividend in that year.

Deputy chairman Donald Muller and MD Carel Pistorius started back in 1981 to put together the coal rights now being injected into Goughco Each of them will end up with 32% of the newly named Foston.

Gillian Findlay

Fireman, spare that precious coal

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S/Times 29/7/90

A VISIONARY who played an important role in developing SA's coal exports warns that it is time to start looking after the resource.

Professor Horsfall, of the department of metallurgy at Wits, believes that anyone taking a complacent view on coal because of alleged reserves of 300 years is mistaken Pointing out that a large part of the reserve is of low quality, he says it is time to maximise the energy extracted from each ton of coal

"I am not saying we are about to run out of coal, only that the high-quality, low-ash coal we are exporting won't last as long as the rest of the reserve

"In 30 or 40 years, the reserve will be mostly low grade — and we need to start adjusting now"

As the author of several papers and upon whose ideas SA's successful export programme was based, Professor Horsfall's long-term view is highly respected

"He's a world figure in coal preparation," says Allen Cook, of Rand Mines Coal

THE South African coal industry is a world-class success story Only 13 years ago exports were a million tons a year. This year, in spite of sanctions, exports are likely to top 49-million tons The industry could achieve more than 50-million tons worth $1,5-billion next year In the one SA industry where labour productivity is internationally competitive — up to 600 tons a man every month — another 130-million tons is used here. Long-term prospects are excellent, but it is time for a radical rethink about coal, says Professor David Horsfall of Wits University in this interview with Business Times editor DAVID CARTE.

Synfuel

Professor Horsfall says a car driven by Sasol fuel uses only 7% of the energy of the coal that goes into its production The other 93% is lost in converting coal to synfuel and then in the inefficiency of the internal combustion engine

The housewife who cooks on an electric stove uses only 35% of the energy from the coal that provided the power If she could switch to gas, she would use an energy source that is 60% efficient and gives off less pollution

Professor Horsfall, who learned coal technology at the University of Leeds and the British National Coal Board before becoming a consultant to Anglo American Coal, says the further one stretches coal from its original form, not only the less energy does it provide, but the greater is the capital cost

He advocates increased research into promising technologies permitting the use of lower-grade coal, reduced pollution and greater rates of energy extraction

The best-quality SA coal is exported It has to be because northern hemisphere coal is generally of high quality and because alarm bells are ringing over air pollution in industrial countries

Eskom, industry and others are using lower-quality fuel, but a lot of useable coal is being dumped

In addition, because Eskom, Sasol and Iscor have mines dedicated to particular plants, much high-quality coal that could be exported is burned in SA

Professor Horsfall applauds Eskom's breakthrough at the New Vaal power station in the use of low-quality coal — after washing has removed abrasives and much sulphur Other Eskom power stations that wash coal are Letaba, Matimba and Hendrina

The time has come, he contends, to look at washing and beneficiating coal at other power stations

He has several ideas, some untested, some proven abroad

Efficiency

'Sasol Two and Three generate huge amounts of gas If these gas tailings were piped into industries and households, instead of going back for inefficient conversion into fuel, Sasol would produce a little less synfuel

"But its energy efficiency would rise from 35% to 55%

"Gas is regarded in SA as old fashioned for cooking and heating But in Europe and North America it is the preferred heat source

"Eskom keeps saying that the best answer to air pollution is to electrify townships But the generation of electricity is relatively inefficient and expensive — and it produces more pollution

"Many black families who have electricity do not use it for space heating They prefer coal, so even electrified households are emitting a lot of smoke Gas heaters would do more to reduce township pollution "

All of SA's export coal is washed High-quality coal is less dense than that of low quality It is passed through baths of water and magnetite whose density is strictly controlled The high-quality coal floats through and the high-ash product sinks It is is either burnt or dumped

Professor Horsfall advocates that a greater proportion of domestically used coals should be washed to maximise energy and reduce pollutants

Coal can be further beneficiated by being ground into fine powder Professor Horsfall says it is easier to take out impurities before burning coal than afterwards

Technology is developing for coal-water mixtures After being reduced to a powder, coal is mixed into a water-based solution — 70% coal, 30% water It can be stored and transported in this form through a pipeline It can even be blasted into a furnace and burned with only 4% energy loss

News in Brief

CAPE TIMES 1/7/90

Coal workers' strike looms

JOHANNESBURG. — A strike by about 20 000 coal workers is looming following a ballot conducted by the National Union of Mineworkers (NUM). A NUM spokesman said 90% of its colliery workers had voted in favour of going on strike in support of wage demands The workers are demanding wage increases of between 18% and 20%.

LABOUR

Bid to avert strike by 16 000 miners

MRWJ 2/8/90 (215)

By SHARON SOROUR
Labour Reporter

NEGOTIATIONS are taking place to avert a strike by about 16 000 coalminers over a wage dispute while several thousand workers in other industries continue to strike.

According to reports the National Union of Mineworkers (NUM) met the Chamber of Mines last night to discuss a wage increase

In favour

The union is demanding an 18 to 20 percent increase for all eight categories of workers at collieries while the the Chamber of Mines offered increases of between 14,5 and 17 percent, Amcoal between 16,4 and 18 percent and Transnatal between 14,5 and 28 percent

About 90 percent of the union's members earlier voted in favour of industrial action after the union rejected the offers

Meanwhile, the strike by about 5 000 Metro Cash and Carry employees at 110 stores has ended with the SA Commercial, Catering and Allied Workers' Union (Saccawu) accepting a R140 monthly increase across-the-board, Sapa reports.

Metro's final offer prior to the strike had been R135 while the union demanded R155

The strike by about 6 000 hotel workers, members of Saccawu, at 41 Southern Sun-/Holiday Inn hotels continues while about 10 000 members of the SA Clothing and Textile Workers' Union (Sactwu) are still on strike at Consolidated Cotton Textiles

In Grahamstown tension increased between Rhodes University and the Transport and General Workers' Union following demonstrations by about 400 workers during wage negotiations

University vice-principal Dr Roux van der Merwe said the university noted "with concern" that union members had decided to protest while negotiations were in progress "to press their demands for higher wages"

While procedures would be followed to end the dispute as soon as possible, Dr Van der Merwe warned that "outside protest cannot accelerate this procedure".

With transport

After five meetings the union rejected the university's offer which raised the basic wages of non-residence staff to between R505 and R1 130 a month, while the basic wages of residence staff would be increased to between R346 and R521 a month with transport, or to between R376 and R551 a month without transport.

Union representative Mr Elijah Ntentile said the university paid its workers substantially less than other universities

Dr Van der Merwe said· "No subsidy is received from the government for wages and fringe benefits for residence staff and all these costs are met by the university."

R2m plant at New Arbor

(215)

PETER GALLI

FOSTON, the coal exploration and mining group, which is to be listed on the JSE on August 20, has commissioned a R2m crushing and sorting plant at its New Arbor coal mine near Delmas. B Day 6/8/90

Deputy chairman Don Muller said on Friday the mine was producing 50 000 tons a month, all from opencast operations.

New Arbor has proven bituminous coal reserves of more than 13m tons and is the first operating coal mine in the Foston group.

The plant has a crushing and screening capacity of 300 tons an hour, and the washing plant was designed to handle 140 tons an hour.

"At present production levels, New Arbor has a projected lifespan of 20 years," said Muller.

SA coal set to glow in face of oil price

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JOHN CAVILL

LONDON — SA's coal industry stands to benefit from a sustained rise in the price of oil as a result of Iraq's invasion of Kuwait and from the Opec target of $21 a barrel.

As Brent North Sea crude climbed another $2 a barrel to $26 (after hitting $26,80), the price of heavy fuel oil jumped another $20 a ton to $125.

In May, when heavy fuel oil touched a low at $52 a ton — equivalent to $35 for a ton of SA 6 200 calories/kg steam coal landed in Rotterdam — at this year's nadir for crude, some power stations switched from pulverised coal.

But one coal industry source in London says: "That was opportunistic buying which quickly disappeared when heavy fuel oil started to climb ahead of the Opec meeting in Geneva."

At $125 a ton, heavy fuel oil which contains 50% more energy equates to a Rotterdam price of coal from Richards Bay of $82,50.

Last year SA shipped a record 46-million tons of coal, and Richards Bay's capacity is to be increased to 52-million tons a year.

The price of SA 6 200 calories/kg coal has weakened this year from $44,50 a ton to about $43, according to Financial Times International Coal Report editor Gerald McCloskey.

The impact on coal prices has yet to emerge. Little trade in spot coal cargoes is done at the height of the northern hemisphere summer.

"But we should see a response to the oil situation most quickly in the Far Eastern markets such as Japan and South Korea," says McCloskey.

"I can think of only one negative aspect for coal of higher oil prices. It will raise freight rates," he says.

With about half the total freight costs accounted for by fuel, the price of oil could add about $1,50 to the $8 cost of shipping a ton of coal from Richards Bay to Rotterdam in a Cape-size vessel (120 000-140 000 tons).

6\10ay 7\8\90

Drifted

"Apart from that, it must be bullish for coal. Industries which are burning oil or gas or products such as petroleum coke will now start to worry about securing coal supplies before prices climb," McCloskey says

SA steam coal hit its peak of $70 a ton (delivered in Rotterdam) in 1982, after the second oil price explosion which saw crude reach $40 a barrel.

Prices drifted back to $41 before being boosted to $44 during the British coal strike of 1984-85, and then bottomed at $26,50 in 1987.

The London coal industry source says "We do not expect to make any money out of the oil problem in the short term

"But if it goes on for the rest of the year it will obviously have a strong impact"

"I am certainly delighted to see heavy fuel oil rising rather than going the other way," he says.

New offer can avert strike on coalfields

–Star 8/8/90 (215)

By Brendan Templeton

An increased wage offer by the Chamber of Mines yesterday could persuade coalminers to call off a strike.

The new offer followed a strike ballot by the National Union of Mineworkers (NUM) on the mines last week and subsequent meetings with the Chamber.

The NUM requested the Chamber to give it until Friday to canvass its members on the offer.

NUM spokesman Jerry Majatladi said the new proposed increases of 31 percent for lowest paid workers and 14,5 percent for the highest paid groups would "definitely" influence members not to strike.

"We are optimistic that we will now reach a settlement," Chamber spokesman Peter Bunkel said.

Following a meeting with the NUM yesterday, the union indicated it would recommend members accept the offer, the Chamber said.

Burning colliery now a disaster area – council

Star 8/8/90 215

By Therese Anders, Highveld Bureau

The Government has acted quickly following the Witbank Town Council's request to have the burning underground Outspan Colliery declared a disaster area.

Deputy Minister of Planning and Provincial Affairs Andre Fourie yesterday announced a task group of mining, fire brigade and legal experts from both the private and public sector to advise on the extent of the problem and how it can be handled. He has given the task group until Friday to make a report.

Independent mining experts told The Star they believed it would cost about R15 million to extinguish the long-burning mine fire by digging a huge trench along its 1 km-wide front.

During the past three weeks, the blaze has caused concern in mining, civic and environmental circles after breaking out in new areas.

The rail link to Maputo is being threatened as the encroaching fire is now less than 30 m away from the railway line.

The fire, and attempts to flood it over the years, have created serious water and air pollution problems in the area.

Environmentalists say the acidic water pouring out of the burning mine finds its way into Loskop Dam and the entire Olifants River system.

A Department of Planning and Provincial Affairs spokesman said the Witbank council had asked for a "state of disaster" in terms of the Civil Protection Act.

Star 10/8/90 (215)

Trans-Natal go... ...om strength to strength

By Derek Tommey

The remarkable recovery in the profits of coal producer Trans-Natal is continuing

Figures show that the company trebled pre-tax profits from R71,4 million in 1988-89 to R221,4 million in the 12 months to June this year.

Pre-tax earnings in 1987-88 were R1,3 million.

Trans-Natal, with cash holdings of R282,8 million, has capital expenditure plans amounting to R1 billion and is looking at coking coal deposits in Tete in Mozambique.

A sharp jump in tax charges from R11,1 million to R84,2 million restricted growth in attributable income, which grew 117 percent from R84,2 million, equal to 76,4c a share, to R131,4 million, equal to 165,5c a share.

A final dividend of 40c has been declared, making a total of 60c for the year — double last year's 30c.

Coal sales rose marginally in 1989-90 from 30,2 million tons to 30,3 million tons.

But higher export sales at better dollar prices and a weaker rand helped boost sales revenue 29 percent from R1,071 billion to R1,386 billion.

Operating income rose 89 percent to R259,4 million.

Exports rose 23 percent to 10,2 million tons, which was 500 000 more than the group's initial target. But both Escom and other domestic sales fell eight percent.

Capital expenditure in the 12 months to June 1991 is budgeted at R260 million. Most of this is to be used at the Koornfontein's Gloria project and Optimum Colliery.

Shaft complex

Shaft bottom development has started at Gloria and production is expected to start in the first quarter of 1991.

The shaft complex has been planned for an eventual output of 5 million tons of saleable coal a year and will supply export and domestic markets and the Komati power station.

At Optimum, the thickening of the overburden has led to an investigation into the re-introduction of underground mining. A final decision is expected by the end of the year.

Chairman Brian Gilbertson says group ability to repeat its 1990 earnings in 1991 depends to a large extent on steady or increased export prices, as well on favourable exchange rates.

Managing director M Salamon says the lifting of sanctions might not result in higher exports, but would result in better prices.

Production at Gloria will enable Trans-Natal to take advantage of the expansion of Richards Bay facilities and help increase export sales to about 11,5 million tons a year.

Export earnings for the second half-year will be at the higher prices already negotiated for the first half.

Profits for 1990-91 should also be helped by lower write-offs that will be required.

Mr Salamon says Trans-Natal, in association with a Brazilian company, is investigating coking coal deposits at Tete in Mozambique.

Mozambican authorities are keen to start exporting this coal, he says.

Trans-Natal Coal doubles its dividends

215

MANDY JEAN WOODS

GENCOR subsidiary Trans-Natal Coal continued its dramatic turnaround from its low point two years ago by reporting record figures for the year to end-June, mainly because of improved export performance BDay 16/8/90

Shareholders will enjoy a 100% increase in dividends, with a final dividend of 40c a share bringing the total to 60c (30c) Trans-Natal shares jumped 4,5% to close at 1150c from 1100c yesterday as news of the results filtered into the market.

An increase in exports, a weak rand and better dollar prices resulted in Trans-Natal reporting a 29,3% increase in sales revenue to R1,39bn (R1,07bn).

The average export price for coal was $31 a ton, up 11,5% from the average price paid in 1989 A profit of R8,56 a ton of coal was made compared with R4,54 last year.

Earnings a capital unit increased 116,6% to 165,5c (76,4c) on a 118% increase in attributable income to R131,4m (R60,3m) before extraordinary items.

The company's operating income increased 89% to R259,4m (R137,1m), while sales tonnage improved by 0,3%, marginal when compared with last year, Trans-Natal Coal MD Mike Salamon said

"The 23% increase in export tonnage to 10,2-million tons was offset by an 8% reduction in inland sales and an 8% reduction in Eskom sales. Anthracite exports remained constant."

Export steamcoal revenue improved by more than 50%, with tonnage rising from 7,9-million tons to 9,8-million tons Steamcoal sales exceeded the target of 9,3-million tons by 500 000 tons

The company has budgeted R1bn for capital expansion projects over the next five years. About 50% of this will be spent on Koornfontein's Gloria shaft project, which should be in production by the first quarter of next year and will increase steam coal exports to more than 11-million tons

Task group to report back on burning mine

Argus 10/8/90

The Argus Correspondent

WITBANK. — The government has acted quickly following the Witbank Town Council's request to have the burning underground Outspan Colliery declared a disaster area.

Deputy Minister of Planning and Provincial Affairs, Mr Andre Fourie, announced earlier this week that a task group of mining, fire brigade and legal experts from the private and public sector would advise the government on the extent of the problem and how to handle it.

He has given the task group until today to make its report.

"R15m TO EXTINGUISH"

Independent mining experts said they believed it would cost about R15 million to extinguish the long-burning mine fire by means of digging a huge trench along its one kilometre wide front.

During the past three weeks the fire has caused concern in mining, civic and environmental circles after breaking out in new areas.

The strategically important rail link to Maputo is threatened by the fire which is now less than 30 m away from the railway line.

The fire, and attempts to extinguish it by flooding over the years, have created serious water and air pollution problems in the area.

HOUSES BEGAN CRACKING

Last year a colliery closed down after becoming waterlogged and houses in Jackaroo Park began cracking as water oozed out of the mine.

Environmentalists say the acidic water pouring out of the burning mine finds its way into Loskop Dam and the entire Olifants River system.

The Witbank Town Council would not comment on its request for a declaration of a disaster area.

ISCOR FM 10/8/90

Polish polish

215

With its northern Natal metallurgical coalfields reaching the end of their economic lives, Iscor is actively seeking alternative sources to use as a blast furnace feedstock, blended with inferior SA grades

The group is looking further afield to Poland, though "this is only one of the possibilities," says Ben Alberts, Iscor's senior general manager mining "Other potential sources include the as yet undeveloped north-western Transvaal coalfields or those other countries already exporting the material — Australia, the US and Canada."

Iscor has imported a quantity of coking coal, some of which has been evaluated while the balance is currently being appraised

"Everything depends on the outcome of the evaluation," says Alberts "We will have to have a flexible deal with the Polish in terms of both quantity and timing" He declined to confirm or deny a 120 000t/year contract spread over three years reported by the authoritative *Coal Week International* The Washington-based publication also reports Iscor has the option to buy two additional annual amounts of 60 000t and Alberts' comments would seem to support this The potential to import far greater amounts also exits, to give Iscor surplus coking coal for forward trading.

What Alberts is prepared to deny are rumours of Iscor investment in Poland. "This is not something that we could consider at this stage," he says But CWI goes on to say Gencor is involved, something denied by Mike Salamon MD of Trans-Natal

The key items that Iscor is to consider in its search are the price and quality of the coking coal The material will only be imported if it is more cost effective to do so than to develop the local deposits. As coking coal is an essential and costly ingredient in the Iscor process, used in a ratio of 1 1 to the steel produced, its cost is important

Consideration will also be given to reliability of supply and potential for disruptions, political or otherwise. The possibility to import from several sources is another solution being looked at although the chances of establishing contracts with those exporting countries is rather slim

"We cannot make steel without coking coal," states Alberts. The strategic nature of Iscor to SA and the importance of having a steady supply of metallurgical coal for the steel industry would indicate that this is more likely to go ahead than not, despite a development of local deposits That Alberts is cagey regarding any investment in the Polish mining industry is natural, considering the sensitive nature of such a deal

Gillian Findlay

IN BRIEF

THE NEWS LAST NIGHT

Record year for Trans-Natal

(215)

■ In what was described as a record year, Trans-Natal Coal increased operating income by 89 percent and earnings a capital unit by more than 100 percent.

Operating income rose to R259,4-million (R137,1-million) while earnings a capital unit increased to 165,5c (76,4c). W Mail 10/8-12/8/90

A final dividend of 40c a share was declared, making a total of 60c (30c) for the year.

Chairman Brian Gilbertson says the group's ability to repeat its earnings achieved in 1990 during 1991 will to a large extent depend on steady or increased export earnings as well as a return of the exchange rate to levels more favourable to exporters.

Steam coal trade up 107% since 1980

GILLIAN HAYNE

TRADE in steam coal rose 107% to 151-million tons during the past decade, said a report in the August edition of Sabrita Bulletin (215)

The increase brought steam ~~coal's~~ share of coal trade to 48%, the SA Britain Trade Association publication said BIDay 14/8/90

The report predicted total steam coal tonnage moving by sea would reach 240-million tons in 1995, representing 60% of worldwide coal traffic

The increase in future demand was attributed to the expansion of coal-fired electricity generation in the Far East and Middle East, and the decline of Europe's coal reserves

Despite sanctions, SA is the biggest export supplier of steam coal to the international market About 42-million tons shipped in 1989 accounted for 28% of the total trade in energy coals

High quality, reliability of coal supplies and the high volume which Richards Bay Coal Terminal could carry were the main reasons behind ~~SA's~~ dominance, the report said.

Privatisation of the UK power ~~util~~ity industry would provide a major opportunity for SA in the 1990s, Sabrita said The demand for imports, estimated at 5-million to 15-million tons, would arise from production shrinkage in the domestic market

Coal income expected to offset oil rise

ANDREW GILL

THE impact of higher oil prices on SA's balance of payments (BoP) would be largely offset by the resultant rise in coal and energy export earnings in the short term, economists said yesterday. B Day 15/8/90

Gold's recent surge above $410 would, if sustained, see SA's reserves boosted considerably, they said

Standard Bank economist Nico Czypionka said increased overseas energy needs, due to lower world oil output, could compensate for the higher cost of importing oil because of the higher earnings from coal.

He said gold's rally would therefore be an added bonus for the BoP situation but the inflationary implications of higher oil prices could not be discounted. There was also a possibility the reversal in gold's downward trend would stick even if the crisis subsided. 215

However, a "fly in the ointment" was that if the crisis became full-blown, sustained higher oil prices could have worldwide recessionary implications "In that case SA would suffer just like everyone else"

Rand Merchant Bank economist Rudolf Gouws said although the rise in the oil price was bigger than that for gold, its contribution to the BoP was not as important.

But it was very much in the balance because coal contracts were generally long term and higher earnings would therefore not be realised immediately

TRANS-NATAL FIM 17/8/90

Exports count

(215)

Increased exports, a weak rand and better dollar prices for coal combined to lift Trans-Natal's sales revenue by 29,3% in the past

FIM 17/8/90

financial year, underscoring the coal group's recovery from the pits of 1988 (215)

Still, 1990's sales tonnage as a whole improved only fractionally on fiscal 1989's A 23% increase in exports to 10,2 Mt being countered by an 8% reduction in inland sales and sales to Eskom Anthracite exports remained constant and the group exceeded its 9,3 Mt steam coal export target by 0,5 Mt. That highlights Trans-Natal's ability to find alternative export markets to Japan, which has sanctioned SA by cutting tonnages and pegging purchases at a fixed annual dollar amount

With sales to Eskom declining due to a slow growth in the demand for electricity, Trans-Natal's prospects are becoming even more dependent on the export market

Chairman Brian Gilbertson says the group's ability to repeat its past year's earnings in 1991 will to a large extent depend on steady or increased export prices as well as a return of the exchange rate to levels more favourable to exporters.

MD Mike Salamon underscores that by saying the key issue in near-future performance is exports. A negative factor that seems to worry management is the current softening in spot export prices due to bigger Australian involvement in the international market

The Aussies are apparently now marketing at a more competitive level as a result of recent productivity gains

Salamon also puts a damper on export prospects by saying shortages of rolling stock might prevent exporters taking full, immediate advantage of the end-1991 planned expansion of the Richards Bay Coal Terminal annual capacity to 53 Mt from the present 44 Mt.

Continued growth planned for Trans-Natal in the next few years will not be cheap. Salamon reckons capex will total R1bn over the next five years, of which 50% will be on the development of Koornfontein's Gloria shaft project, 30% on the Optimum Colliery and 20% on the smaller mines. He adds that all of Trans-Natal's projects are on target and expects the Gloria project to come on steam in the first quarter of 1991 Trans-Natal will not expand its opencast operations in the next few years, but will instead concentrate on the deeper reserves

He see no volume growth in inland sales of coal, but expects to develop niche markets where prices and margins are higher than those for ordinary steam coal For instance, coal with a low sulphur and phosphorus content is in demand from the ferro-alloy business This represents a shift from selling coal on its ash content and thermal value to focus on other chemical properties

Internationally there is also a growing development of niche markets The Pulverised Coal Injection (PCI) method of steelmaking is catching on, led by Japan and Europe PCI allows cheap steam coal to be substituted for high-cost and scarce coking coal. Trans-Natal developed this niche market and has very little competition from

FIM 17/8/90 (215)

other SA companies in this field

The intended development of the large coking coal reserves in Mozambique's north-western Tete province by Trans-Natal, Lonrho and Brazilian mining company Vale do Rio Doce is in the pre-feasibility stage Rail and harbour facilities exist but Beira's harbour lacks a modern coal-loading facility

Though sales are unlikely to improve markedly this financial year, there is some optimism on the cost side Trans-Natal has agreed a five-year rail tariff contract with Railways which gives a large price increase in the first year and sub-inflationary raises in the following four

The share has risen sharply to 1 250c from 980c last week, partly in response to the latest results but also as investors scramble for investments which could benefit from the latest oil crisis

Gerhard Slabber

COAL EXPORTS FM 24/8/90 (215)

Don't start boom without us

Ripple effects of the Gulf crisis will not immediately lift coal prices nor export At least not by much

Even if the surge in oil prices led to a coal boom, SA isn't ready for one The expansion of the Richards Bay Coal Terminal won't be completed until the end of next year and Transnet won't have the trains it needs until then.

Rand Mines deputy chairman Allen Sealey discounts the possibility of the Gulf crisis boosting coal prices or exports "In the short term, higher oil prices will give negotiators a psychological edge in trying to sell coal but won't lead to substantial price or export gains. There is little correlation between oil and coal prices. The oil price rise of two years ago had no effect on coal."

Contract prices for steam coal, negotiated in March or April, are US$31/t to $32/t fob Richards Bay Spot prices have eased by $1 to $2 for large shipments. This shift is attracting bulk buyers with no long-term contracts

Sealey says a major fuel switch from oil to coal is unlikely Some small power stations operate on coal or oil but most large plants burn one or the other and cannot easily be converted.

Another reason for pessimism over prices is that competition is the fiercest in several years Colombia, for example, is becoming a major player. Australia produces better coal than SA, Sealey claims, and has also reduced prices and become a more reliable supplier

A stock analyst says the shortage of a few years ago has evaporated Supply and demand are balanced but he fears events in the Gulf could lead to a worldwide recession that will dampen demand for both steam and metallurgical coal

"Bear in mind that coal is sold fob and the buyer pays for transport The higher oil price has already added about $1/t to the cost of freight I believe that if the oil price remains high for some time, some people will start switching to coal, but not at the same rate as in the early Seventies when the stampede sent the price screaming up"

Another analyst believes the oil price is merely making up lost ground "When the spot price for coal fob Richards Bay bottomed at $23,50/t in mid-1987, the spot price for oil was $17/barrel, and moved up to only $18/barrel this year By then the coal spot price fob Richards Bay had risen to $29,50/t

"What we're seeing now is the reverse of that Oil is moving up rapidly and, while the world market for steam coal is increasing by 3,5% to 4% a year, there's little movement in the price"

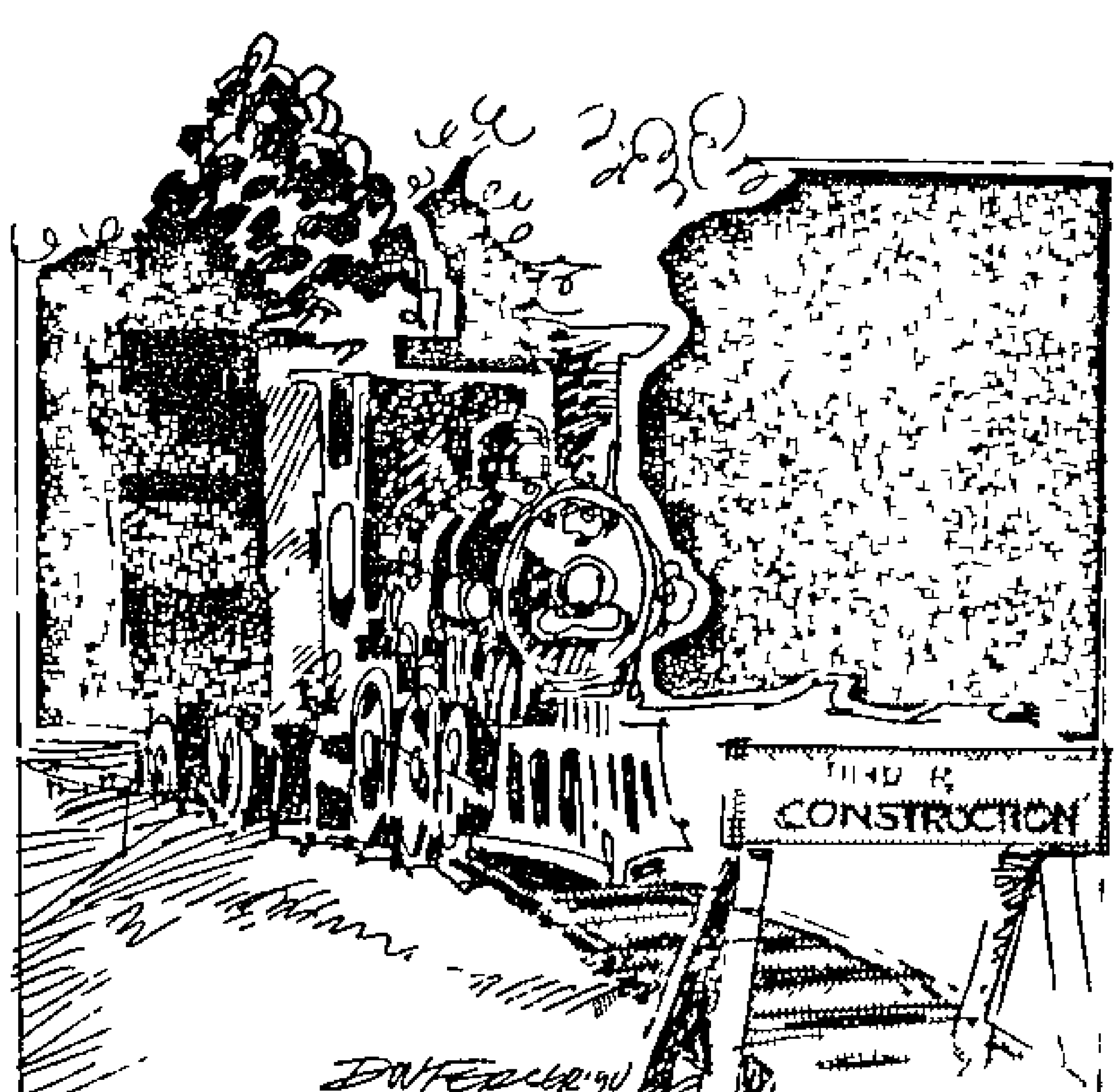
Meanwhile, work is well advanced on the R316m project to increase loading capacity at Richards Bay Coal Terminal from 44 Mt/year to 53 Mt/year The terminal is now stretched to the limit The port handled 45,7 Mt in the year to June 30.

Transnet business manager Jan Grobbelaar acknowledges that Railways cannot transport anywhere near 53 Mt/year now

"The Ermelo-Richards Bay coal line was upgraded a few years ago, at a cost of R2bn to handle 65 Mt/year, but we can handle only 46 Mt/year with existing rolling stock

"We should be able to handle 53 Mt/year and more within the next few years. Our Bloemfontein workshops are building 1 200 jumbo trucks — that carry 84 t each — at a cost of nearly R150m. Delivery will start at the end of the year and continue for another two years"

Many trucks now used, which carry only 58 t each, will be taken out of service on the coal line and used on other routes Durban, for example, handled 2,7 Mt of coal in the year to June. A few will be retained on the coal line because branch lines of some export collieries can't handle jumbo trucks



Rolling stock GM Willem Burger says Railways will phase out 100-truck trains and standardise operations on the coal line with 200-truck trains that can carry 16 800 t There is, however, a shortage of Class 11E locomotive, which was designed for the coal line and handle the longer trains comfortably because of greater braking power

To solve that problem quickly, Railways will spend R42m on modifying 50 Class 7E1 locomotives so that they can handle longer trains on the long downhills Six Class 7E1s can pull a 200-truck train but the combined braking power of 10 7E1s is needed to control the train going downhill After they have been modified, seven 7E1s will be able to handle the longer trains

Burger says the first modified 7E1s will be ready in 14 months Waiting for new locomotives would have taken five years and they would have cost R5m each *David Pincus*

EAST BLOC TRADE FM 24/8/90

A carrot for Hungary

Pretoria granted Hungary a controversial concession this month when Budapest lifted all trade restrictions on SA and signed a trade agreement calling for the two countries to exchange permanent trade representatives. Hungary came away with this plum its imports into SA will no longer be subject to the import surcharge other imports face

Hungary's lifting of trade restrictions is "a milestone that will add impetus to the movement away from sanctions," says Trade & Industry Minister Kent Durr

In defending the dropping of the surcharge — from claims that it discriminates against other trading partners — he lists several factors

- ☐ The agreement provides a spur to trade that will compensate for sanctions,
- ☐ The commitment to exchange trade representatives breaks the ice because it's a first in eastern Europe The Hungarian representative is expected here soon,
- ☐ Hungary showed courage in persisting with developing relations in the face of outside pressure. It has now been vindicated by political developments in SA,
- ☐ All trade restrictions against SA are lifted. The surcharge was a reaction to sanctions and was needed to protect the BoP, he argues. Because Hungary has lifted sanctions, it is logical this should coincide with the lifting of the surcharge on Hungarian goods,
- ☐ SA runs a trade surplus with Hungary and the aim is to develop a more balanced trade. "Foreign exchange and a balanced trade are essential to Hungary with its US$20bn foreign debt," he says

Durr expects trade links with eastern Europe to assume greater importance "We see a shift A new industrial focus is forming in south-eastern Europe A Danube axis,

COMPANIES

MacPhail's turnover shows 54% increase

215

ZILLA EFRAT

MACPHAIL, W & A Investment Corporation's coal distributing and marketing company, has posted a 36% rise in attributable earnings for the six months to end-June.

Attributable profits reached R2,4m (R1,8m), equivalent to earnings of 17c (12,5c) a share.

A dividend of 5,5c (4c) a share has been declared, up 37,5% and covered an unchanged 3,1 times.

These results follow a 57% surge in earnings in the year to December, a period of organic growth.

It is believed that during the interim period certain depots were acquired to expand MacPhail's network.

Turnover jumped 54% to R96,3m (R62,5m) and operating profit improved 32% to R4,7m (R3,5m).

With the tax rate at 43,9% (44,2%) and outside shareholders' interests at R200 000 (R202 000), both little changed, earnings were up 36%.

CE Sid Weintroub says: "The balance sheet continues to show considerable strength. Macphail is totally ungeared and had R7m of funds on deposit at the end of June."

He says given stable operating conditions, directors expect earnings to show a satisfactory increase for the full year to December.

25/8/95

Trans-Natal pushes up sales revenue

RIAAN SMIT

CASH balances of Gencor's coal division, Trans-Natal, were hovering around R300m — representing 40% of the market capitalisation of the group — and exceeded interest bearing debt by more than R160m, chairman Brian Gilbertson said in his review of the year to end-June published today

At the beginning of August the group reported a profit of R8,56 a ton of coal (1989 R4,54) on about the same tonnage sold, which translated into a 29,3% rise in sales revenue to R1,07bn.

Gilbertson said he expected the 1990 income after tax of R131,4m, more than double that of 1989, would be maintained during the 1991 financial year

He said the major development in the market this year had been the production successes achieved by Australian producers as a result of productivity awards negotiated with their unions

"We estimate that Australia's steam-coal exports during this calendar year could exceed 50-million tons, a 10% increase on the previous year"

This had led to a build-up of stocks, some of which were being sold at low prices to Taiwan and Korea

In addition, SA, Chinese and Russian coal was still being offered on a quit spot market and spot prices consequently had declined.

This situation might improve in coming months, Gilbertson said

"Given ongoing dollar weakness and high oil prices, further price increases in the 1991 contracts still seem possible, though intense competition between SA suppliers remains an obstacle."

He said at present SA coal continued to sell at prices that were on average $5 a ton less than that from other countries

Trans-Natal's capital expenditure programme could amount to about R1bn over the next five years, he said

'Coal exports may offset cost of oil'

215

ZILLA EFRAT

THE coal price will rise to new heights if international oil and gas prices continue to escalate, says an international survey on the effects of the Gulf crisis.

The survey, carried out by energy tariff analysis specialist National Utility Services which has an SA affiliate, also predicts that electricity prices will rise internationally on the back of higher oil costs.

While the survey does not address SA specifically, the implication is that SA export coal prices will benefit, possibly helping to offset to some extent the impact of higher oil prices on the BoP.

However coal consumers Sasol and Iscor do not expect to be affected by price rises. B/Day 6/9/90

Iscor public relations manager Piet du Plesiss says Iscor uses coking coal, a different type of coal, and is to a large extent self sufficient.

Sasol also says it is largely self-sufficient in its coal supply.

The critical factor will be Eskom's pricing policy and whether coal mines increase local prices.

JCI FM 7/9/90

COAL LIGHTS UP

(215)

The 20% advance in JCI's dividend is the most favourable aspect of the 1990 results Most of the major interests have already moved into a phase of weaker growth, or look set to do so soon

Like most mining houses, the group is being affected by a more stable rand and weaker prices of export commodities, while the flagging SA economy is placing a clamp on the performance from local industrial interests

With a smaller contribution from platinum — still the largest earnings source — the group's equity accounted earnings from mining activities were ahead by a marginal 2,8%. Income from gold was also down and that left the mining sector dependent on the better performances from diamonds, coal and mining finance

In the industrial and property sector, the significant increase came from the industrial investments, which rose 23% thanks largely to Premier and Bevcon These two investments are among the few major holdings that now look capable of producing reasonable growth this year.

Ferrochrome producer CMI is beset by overcapacity in its market and has already indicated short-term earnings will be negatively affected following its takeover of Purity Chrome (see page 105) Engineering group Lennings is being squeezed by setbacks in the mining industry and cost increases

Attributable income from operating subsidiaries was sharply better with a 38% increase, largely reflecting the rise by more than two-thirds in coal earnings This was due mainly to Tavistock's acquisition of a 40% stake in Middelburg coal mine, so that rate of advance is unlikely to be seen this year in the coal sector, which remains a relatively small part of JCI's income

FM 7/9/90 (215)

OPERATIONS PERK UP

Year to June 30	1989	1990
Investment income (Rm)	294,3	355,6
Operating income (Rm)	43,1	59 6
Other net revenue (Rm)	26,0	14,4
Attributable earnings (Rm)	363,4	429,6
Equity earnings (Rm)	569,7	601,6
Earnings (c)		
— attributable	246	291
— equity	386	408
Dividends (c)	110	132

With attributable earnings up by 18,2%, the dividend cover was kept virtually intact to allow a 132c dividend Capital expenditure commitments at year-end stood at R309m (R30m) and, given the earnings outlook, a significantly lower pace of dividend advance is probably in store for this year

Andrew McNulty

Outlook for SA coal 'looks good in the long term'

215

B Day 13/9/90

PETER GALLI

THE outlook for coal has improved with the growing possibility of sanctions being lifted and increasing awareness of coal as an energy source, say industry sources.

Share values of Amcoal and Trans Natal hit annual highs in August.

The surge in the crude oil price in the past few weeks as a result of the Gulf crisis, with the concomitant increase in fuel prices, appear to have improved the already good, long-term prospects for the coal sector

However, Rand Mines deputy chairman Allen Sealey said it was sheer coincidence that the coal index had reached a high at the same time the Middle East conflict arose

He said the conflict had had little effect on the market, which was suffering from an oversupply situation "Negotiations for the long-term overseas contracts start in October, and hopefully the price will increase as a result of these negotiations," he said

But Frankel Kruger Vinderine mining analyst Kevin Kartun said the oil crisis had focused attention on coal as an alternative to oil and that, in the long-term, the industry would follow the price trend of other energy producing products like oil.

He said there were enough power plants being built around the world to justify the strengthening of the coal market.

The JSE coal index, which is primarily weighted by Amcoal and Trans-Natal shares in the ratio 77:23, reached a pinnacle of 3 110 points on August 13, but then started to decline, ending lower at 2 830 on Friday

An analyst said this was because the price of coal had not shown any marked improvement, rising to an average of $32 this week from an average of $28 at the same time last year

Also, the index is largely determined by Amcoal's share price, which reached its high of 10 000c on August 21 and then began dropping, closing at 9 100c on Friday

Trans-Natal reached its high of 1 275c on August 13, closing at 1 075c on Friday

SA exported about 46-million tons of coal in 1989, but was competing against cheaper producers such as Australia, Columbia and Indonesia.

Analysts say the expansion of SA's export market is not viable at the present price of coal because of the capital outlays involved.

Should sanctions be dropped, the possibility of SA regaining its lost markets was good, particularly as SA, together with Australia, produced low sulphur coal which was environmentally more acceptable, Kartun said

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COMPANIES

Mixed results for Cor Synd, Tweefontein

B Day 14/9/90

LIZ ROUSE

TWO Lonrho group companies, Tweefontein United Collieries and Coronation Syndicate (Cor Synd), have reported mixed results for the year ending September.

The bigger Tweefontein's earnings are down only 5% but Cor Synd's earnings have slipped by 26%.

Mining holding Tweefontein's earnings were 87,4c a share (92c).

Its final dividend is down 5c to 30c, but total distribution is down only 1c to 87c.

Cor Synd's earnings were 17,3c (23,3c) a share.

A lower final dividend of 2c (5c) was declared, bringing the total to 17c (22c).

Both companies are still reaping redemption income on their Zimbabwean bonds. In fact redemption proceeds make up the bulk of Cor Synd's income.

Hope for Harties' recovery grades

B Day 14/9/90

RIAAN SMIT

HARTEBEESTFONTEIN gold mine should halt further declines in recovery grades for the next three to four years, Anglovaal chairman Basil Hersov said in his annual review released yesterday

The mine's yield has declined from 10 g/t in 1987 to 9 g/t for the year to June 30.

Hersov said over the past two years the mine had achieved a high development rate from 39 609m in 1988 to 44 796m in the past financial year and this, combined with the mine's current ability to carry out such development in payable areas, should halt further declines in recovery grades.

Because of a shortage of payable stope face stemming from a substantial increase in the pay limit, mill throughput of underground ore in the current financial year was expected to be 219 000 tons lower at 3-million tons.

Earnings

Operating costs would continue to be adversely affected by the additional overhead structure associated with operating No 8 shaft and general cost escalations.

"Therefore, the company's ability to maintain earnings and dividends at 1990 levels will be determined principally by the rand gold price."

He said during the year to June 30 pre-tax profit decreased to R417m (1989: R588m), mainly because of lower gold production, lower average rand gold prices received, rising costs and losses from sales of uranium oxide. Taxation and state's share of profits was R244m (R333m) because of the reduced taxed profit, leaving the after-tax figure at R173m (R255m).

After deducting capex, earnings totalled R149m (R194m), equivalent to 132,9c a share (172,9c) and dividend a share paid amounted to 130c (180c)

Mill throughput of underground ore during the year rose by 2%, but because of a decline in recovery grade, gold production from this source was slightly lower at 28 831kg (29 215 kg).

Increased development, additional expenses connected to the start of operations at No 8 shaft and general cost escalations all contributed to the 21,3% rise in unit costs.

Waverley deal is worth R40m

RIAAN SMIT

WAVERLEY Gold Mines has announced it has concluded a tribute agreement with Knights Gold Mining to treat a minimum of 50 000 tons of slimes a month. B Day 14/9/90

Waverley's attributable earnings in terms of the agreement should amount to approximately R40m over six years, based on a gold price of R30 000/kg.

Had the agreement been effective for the year ending March 1990, earnings a share would have increased from 1,04c to 41,1c.

CIBG achieves its projection of R3,9m

B Day 14/9/90

LESLEY LAMBERT

CAPE TOWN — Newly restructured and significantly enlarged Cape Invest... profit from the disposal of

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Sasol's brave bid to lift secrecy lid

S/Times 16/9/90

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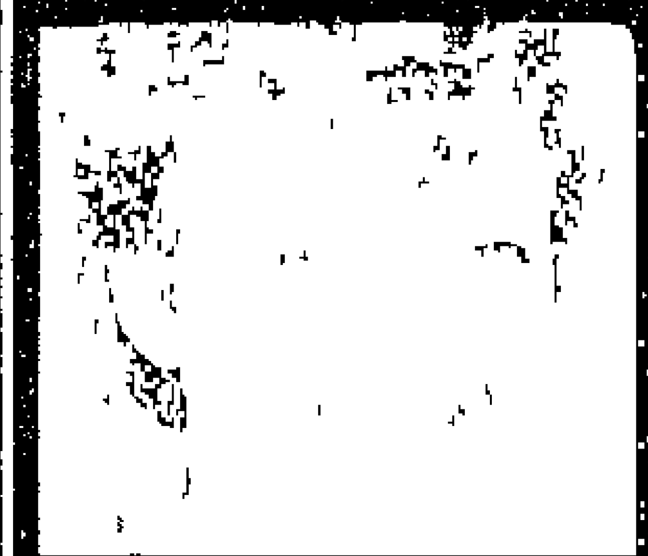


DIAGONAL STREET

By Julie Walker

SASOL celebrates its ruby anniversary with a reasonable set of results for the year to June 1990, the proposed takeover of the other half of Sasol 3 and the possibility of a rights offer.

Turnover climbed by 23% to above R5-billion, pre-tax profit by 18% to R1,3-billion and earnings a share were up by a similar amount at 132,4c The dividend grew by 13% to 59,5c

Managing director Paul Kruger told little new in a presentation to the Investment Analysts Society this week. The tone had already been set by chairman Joe Stegmann, who said Sasol would not be able to answer too many questions As one analyst says, the presentation won't win the society's prize for maximum disclosure, but given the circumstances Sasol at least tried

Mr Kruger says Sasol 2 and 3 were affected by renewal maintenance, but total production still exceeded design capacity He expects limited disruption this year

Ethylene capacity was increased, and Sasol will be able to serve SA requirements for the manufacture of polyethylene until the end of the decade

The collieries did well More acetone is available for export after closure of a customer's isoprene plant at Newcastle Refining margins at Natref are healthy

Sasol made a bit more profit out of fertiliser and mining explosives, but returns on investment in these divisions remain below satisfaction

Framework

The share price has had a spree lately, the Middle Eastern drama pushing oil higher Mr Kruger defies anyone to predict the outcome, but estimates that the price will settle in the lower $20s for a barrel if a settlement is reached.

A new framework for tariff protection comes into operation at $23 a barrel, calculated from the postings of the four refineries east of Suez This means that if oil trades at below that price, Sasol is paid the shortfall from the tariff protection fund

Income received when oil is between $23 and $28,70 is for Sasol's sole account. Beyond that, 25% of the additional income only is paid back to the tariff protection fund until total drawings are made up

Overrecovery in the past financial year was 9,7c a litre, compared with the previous year's 3,6c, But Mr Kruger says motorists are underpaying 22c a litre for fuel Petrol of 93 octane should cost 141c/l at the coast and 150c inland

PAUL KRUGER no prizes for disclosure

Mr Kruger does not see much scope for deregulation in the fuel industry, but foresees room for discussion about what the regulations should be

Sasol has changed from the comprehensive to the partial method of accounting for deferred tax Normal tax fell by more than R90-million to R254-million, and the deferred variety from R145-million to below R1-million

This gave rise to an unduly large amount of R342-million, of which R320-million was transferred to the equalisation reserve The balance made a 4c-a-share contribution to the bottom line

Mr Kruger says Sasol's gearing is only 9,3% and there is plenty of capacity to borrow up to 50% Sasol owes R300-million to Sasol 3 He is confident that both parties can agree to terms for Sasol's buying the Central Energy Fund's half of Sasol 3

Sasol earned R75-million in dividends from Sasol 3, which earned R275-million compared with the previous year's R100-million A purchase price has not yet been arrived at, but Mr Kruger does not discount the possibility of a small rights offer — a good time for it judging by the current high share price

Source

More than R2,6-billion will be spent on projects under way and approved in principle Sasol 1 will move away from synfuel production, and an ammonia plant is being built Production of wax will be expanded greatly SA imports 60 000 tons of candle wax a year, and wax has double the value of fuel.

Petrochemical projects valued at R2-billion are being investigated, over and above the earmarked and approved capital expenditure

Sasol 2 is also being revamped, and production is being increased at Secunda Collieries The expansion of Sasol's petrochemical activities will be the main source of growth in the 1990s

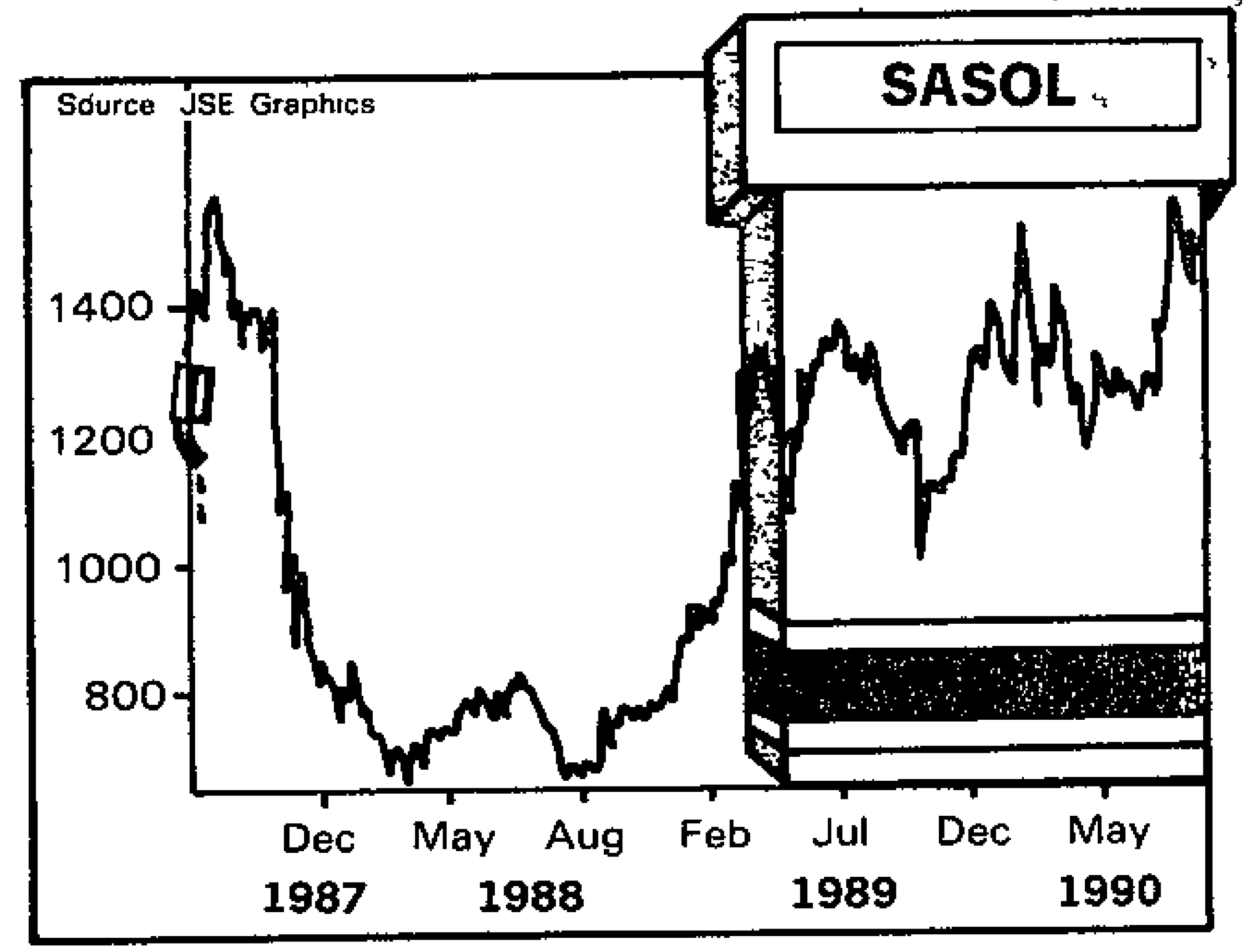
Mr Stegmann says the benefit of Sasol to the nation increases when the oil price rises At present, Sasol's indigenous production saves R4-billion a year in foreign currency

Shots

Someone asked about the IDC's stake in Sasol Mr Stegmann said that if the IDC sold, it must be through a rights offer Although he could not speak for the IDC, he expected any such sale to be gradual

Many will have left the presentation with the impression that Mr Stegmann calls the shots at Sasol He was the third managing director before being made chairman in 1987

The shares are steady at 1 475c, a rand off their August high — but well above the 960c low of last October The outlook is positive, but a higher oil price will not result in mega-profits for the company



Local coal producers sitting in driver's seat

Star 17/9/90 (215)

By Derek Tommey

The United States Bureau of Mines (USBM) wants to expand coal exports and has been carefully assessing the competition

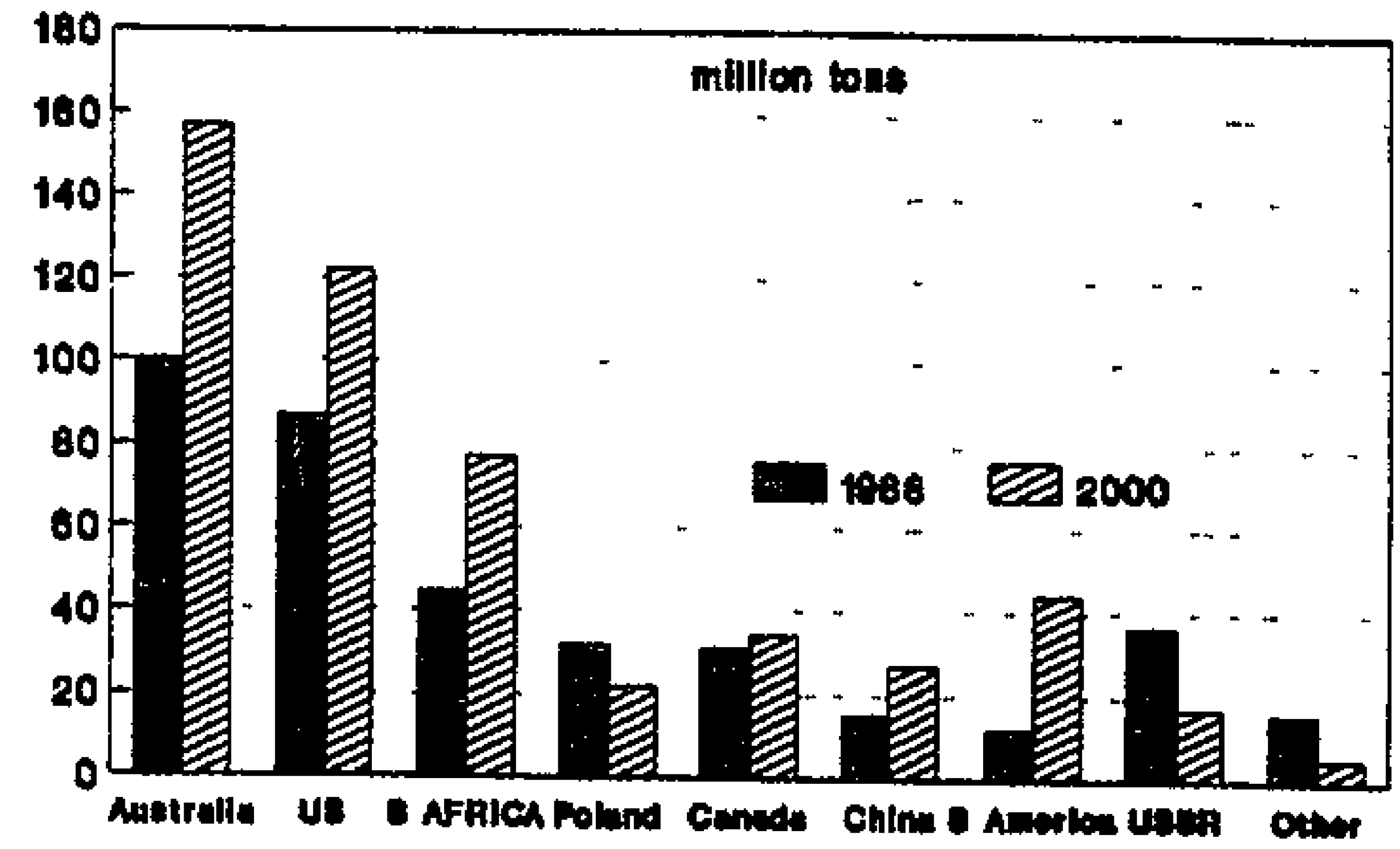
This has included an in-depth study of the South African coal industry, which local producers should find quietly satisfying

The USBM found that South Africa was capable of selling its coal at lower prices than American producers in all the major markets — Japan, Europe and even the US Gulf Coast.

The activities of the USBM run parallel with those of the Department of Energy, which is forecasting that the world coal trade will rise from 375 million tons in 1988 to 505 million tons in the year 2000.

But though the US is the world's second-biggest coal producer, with an output close to 600 million tons, the department expects American exports to rise by only 35 million tons between 1988 and 2000 to 122 million tons

Encouraging news for local producers is that the department expects SA exports to rise by almost the same amount — by 32 million tons to 77 million tons



Projected world coal exports

The USBM's cost studies were based on the operations of nine Tranvaal mines — six conventional mines and three surface mines, reports the UK Mining Journal

Their costs were compared with those of seven underground mines and three surface mines

The USBM found that at the time of the comparison in January 1989, when the rand was worth 42 US cents (now worth 38,7 US cents — a 9,2 percent depreciation), South African mines had a delivery cost in Japan ranging from $28 to $38 a ton

US mines' costs ranged from $46 to $59 a ton. This gave the South African mines a minimum cost advantage of $8 a ton.

The study showed that the delivered cost of South African coal to Europe was $32 to $42 a ton, against $45 and $51 for US coal

It also found that the delivered cost of South Africa coal to US Gulf ports ranged from $33 to $40 a ton, against $35 to $61 for US mines

At present there are sanctions on the import of South African coal in the US

But the South African industry is hopeful that these sanctions will be lifted, allowing producers to divert sales to the US and demand a better price for coal currently sold in other markets

The USBM found that the South Africa mines had lower mine operating, land and tax costs, but also lower productivity

In 1987 average productivity a man year in South Africa was 1 880 tons of saleable coal, compared with 5 816 tons in the US.

However, the higher productivity in US mines was more than offset by the large difference in labour costs, particularly in underground mines

The bureau found that wage rates in the US mines were about eight times higher than those in South Africa and represented 48 percent to 56 percent of mine operating costs

Broker outlines possible benefits of current affairs

LIZ ROUSE (215)

A GRADUAL lifting of sanctions and an oil crisis can benefit a number of shares

Broking firm H A B Herbst Inc, in its first investment bulletin, presents a selection of shares that can benefit from these two factors in the short to long term.

Analyst Johan Marais says SA investors should accept that the lifting of sanctions will not necessarily be announced with much fanfare However, local companies that are geared to the export market might quietly go ahead and enjoy the benefits

Amcoal and Witbank Colliery stand to gain in the short term, while these two coal counters will be joined in the medium and long term by Palamin, Samancor, Keeley, Vansa, Plate Glass, Sunbop, Sappi, Highveld Steel, Iscor and Usko B Day 17/9/90

The current oil crisis can benefit Amcoal, Witbank Colliery, Engen, Sasol and gold in the short term In the medium to long term Gencor should be added to the list

Although Marais advises investors to continue taking a cautious view of a fluctuating equity market, he says he has a positive attitude towards the long-term prospects of the gold price.

He says investors should maintain a healthy balance between quality gold shares and marginals

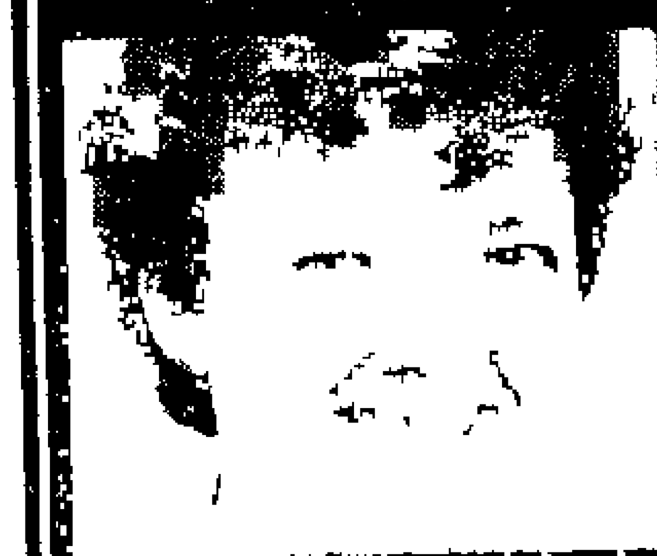
Recommended quality golds are Western Deep Levels, Southvaal, Driefontein, Hartebeestfontein, Kloof, Deelkraal and Beatrix Marginals recommended are Randfontein, Loraine, Elsburg and Western Areas

In the mining finance sector, in the short term Anglo American should be considered, in the medium to long term add Gencor, JCI, Minorco and Mid Wits

SUND

The pits for SA coal

PRODUCTIVITY at SA's coal mines averages 1 880 tons of saleable coal a man-year — only a third of the American figure.



DIAGONAL STREET

By Julie Walker

This is the finding of a study by the US Bureau of Mines It is studying the potential of American coal producers to increase exports. Comparisons are made between America and each other major coal producer.

But productivity apart, SA's coal industry shows up well Its fortunes have improved in the past two years — as shown by the graph of the JSE's coal-share index

The survey is reviewed by the Mining Journal, which includes data about global coal production America and SA rank second and sixth with production of 600 megatons (Mt) and 170Mt respectively. In terms of international trade, America is the world's second-largest supplier, with SA among the top dogs

S I Times 23/9/90

Productivity third of US's

Most of SA's export is steam coal and America ships coking coal

The US Department of Mines forecasts demand for imported steam coal to rise by as much as 4,8% annually to 500Mt in the next 20 years, but expects a decline in coking-coal trade to 161Mt from 194Mt because of advances in steel-making technology

America has large over-capacity in coal production A port-dredging programme now under way could lift its trans-shipment capacity to 380Mt a year — the same as the forecast amount of steam-coal shipments by the end of the century

In the comparison, data from nine Transvaal mines are used They are not named, but are six room-and-pillar underground mines and three drag-line opencast collieries Individual mine costs have been aggregated

Seven American conventional longwall underground mines and three surface operations were examined

SA mines have lower operating, land and tax costs, but lower productivity American production average 5 816 tons a man-year

Similar

Higher productivity in America is more than offset by the large difference in labour costs, particularly in underground mines

The bureau finds that labour wage rates average eight times higher in the US and represent between 48% and 56% of operating costs

All SA coal is privately mined and 30Mt a year — well over half — comes from 11 very large collieries Of more than 100 mines, the smallest 20 jointly chip in below 1% Capital costs are similar as are those for equipment and supplies

SA mines have lower land costs because most operators own it and do not pay royalties Initial mineral rights and land purchase costs are part of the capital cost

US land costs can be as much as $3,40 a ton

SA scores again in terms of lower regulatory compliance costs There is a small levy for a pneumoconiosis fund here, but Americans have to pay for state severance, black lung and abandoned mine reclamation

The chief study year was 1988 when SA produced coal worth $2,6-billion and employed 107 000. The US produced coal worth $23-billion from 187 000 employees

The study compares the relative competitiveness of similar-quality steam coals from America and SA in three electric-utility markets — Japan, Europe and the US Gulf coast

Vital

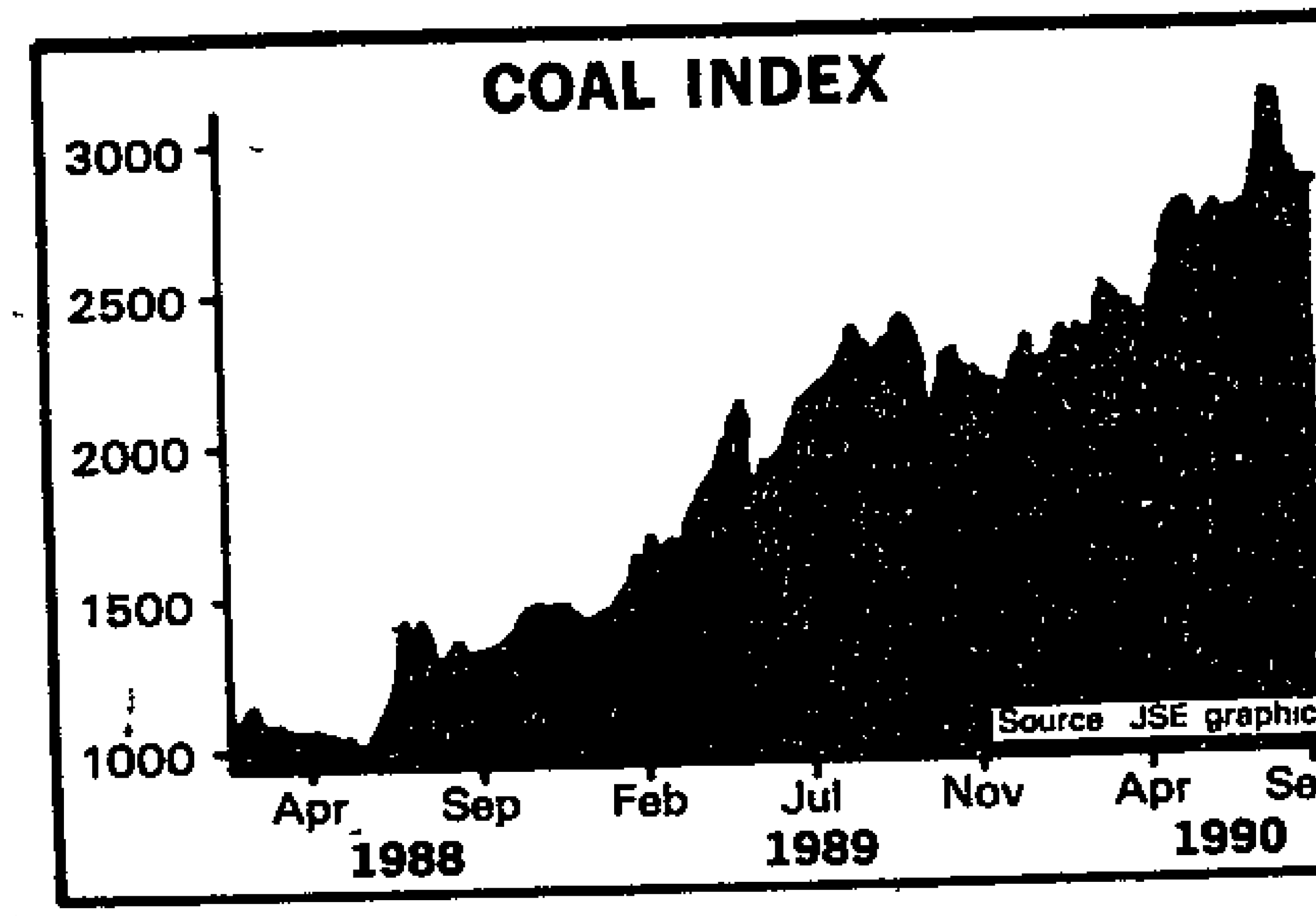
215

The delivered cost has two components — the cost to produce a ton of saleable coal at the mine's shipping point and the cost of transporting it to the buyer

The mine operator has some control over the first item. The transport cost is usually influenced by distance and the type of transport

The dollar's value against the rand is vitally important — most coal is traded in dollars

The rand was worth 42 US cents when the comparison was completed in January 1989 It is now worth 39c.



The depreciation increases SA's competitiveness only to the extent that it is not offset by inflation The rates of inflation were 13% at home and 4% in the US

The delivered cost of SA coal to Japan was between $28 and $38 a short ton American mines' costs were between $46 and $59, giving SA a minimum cost advantage of $8 a ton

The study earmarks Europe as a potential market for US coal because certain subsidies are due to be scrapped Privatisation in the UK should open the door to more imports, and low-sulphur coal on environmental grounds

The study predicts European steam-coal demand will grow from 76-million tons in 1987 to 130-million by 1995

SA's coal cost is between $32 and $42, whereas America's is between $45 and $51 a ton Although ocean shipping distances are 30% shorter from America to Europe, SA benefits overall from its lower inland transport costs

Surprisingly, the study finds that SA can deliver coal to the US Gulf coast more cheaply than some American mines can

Railway

American mines ship all their tonnage by internal routes Barge shipping is unable to compete with low ocean-freight costs

The study concludes that many of SA's large new mines were developed primarily to export coal Their shallow depth, modern equipment and low labour charges result in mining costs much lower than the typically older and smaller pits

The purpose-built railway line to Richards Bay beats the American rail system, which services a variety of industries

Rail haulage distances in America are 1½ to three times longer and the tariff two to three times higher than in SA

Star 28/9/90 (215)

WASTE AND ENVIRONMENT

Taking care of resources at power stations

Coal is the most vital of commodities for any power station, and stringent measures must taken to ensure that it is used with care

Eskom is proud of the fact it uses low-grade coals and is thus "conserving the nation's resources". However, the disadvantage is that this produces large amounts of ash.

Eskom's Lethabo power station generates about six million tons of ash each year. The station's electro-static precipitators remove 99 percent of the ash from the flue gases going out through the smoke stack

At Lethabo, Eskom returns most of the ash to the open cast mine where the coal originated. There it is covered by the original top soil and re-established as valuable farming land.

At the same time Eskom is anxious to put the ash to some commercial use and about 40 000 tons is sold each month Most is used as a cement extender

Eskom communications services manager Andre van Heerden says Lethabo is probably the only power station in the world which has built an office complex with all the necessary ablution facilities, on top of an ash disposal site In addition, the building materials used, the concrete foundation and flooring, bricks and plaster, all contain the maximum amounts of ash usable

To beautify the area, a man-made lake is being built on the ash This lake will be completed by the end of the year and Eskom believes it is another first in the world

Sanctions cost 50 000 jobs in our collieries

Sowetan 26/9/90

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OPPENHEIMER

SANCTIONS were placing great pressure on the South African Government and all South Africans, mining magnate, Mr Harry Oppenheimer told the Mining and Metallurgical Society of America in New Orleans yesterday.

The former chairman of the Anglo American Corporation was presented with a gold medal by the society for his achievements in the mining industry.

In his acceptance speech, released in Johannesburg, he said he was often asked in the United States whether sanctions were working. He believed they certainly were.

"The direct ban on the export of many South Africa products and, much more importantly, the cutting of normal banking relationships between South Africa and the rest of the world, is a major cause of the unemployment problems we are facing."

He said it had been reliably calculated that sanctions has reduced the potential employment in the coal mining industry alone by 50 000 jobs and similar restrictions on exports across the board must obviously have multiplied that figure

Capital

South Africa's exclusion from international sources of loan finance had turned a developing country, which would normally have attracted substantial importations of capital funds, into a capital exporting country.

The resultant restrictive fiscal and monetary policies placed highly undesirable restrictions on the sums of money that could be made available for education, housing and infrastructure

The reduction in the level of employment hit black South Africans harder than whites by virtue of the nature of the society

"The black townships are now the scenes of grave communal and

Reasons

"While this continues, it is obvious that the difficulties in the way of negotiating a peaceful solution to our political and social problems are greatly increased"

He said there were many reasons for this state of affairs, ethnic, historical and political, but unemployment among black school leavers was perhaps a major factor behind these "deplorable events".

"What else could one expect when thousands of youths without jobs, without training, without real hope, roaming the streets deeply conscious of the injustices they have suffered in the past and entertaining as a result of the changes that are taking place, vast unformulated and often quite impractical visions of the future"

The sanctions policy also bore a considerable responsibility for this situation Sanctions were working, but whether they would result in further and faster movement forward, or in a retreat back into the laager, was something still to be seen

Tricky

Oppenheimer said in these circumstances the question as to whether sanctions were wise or right was difficult to answer

"For here we have to think in terms, not of figures, but of opinions, not of solid facts, but of political interests, not of hard calculations but of issues of personal morality."

He said he was therefore reluctant to involve himself in "these highly emotional matters". - *Supa*

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SA coal market share 'to drop'

PETER GALLI

SA's share of the world coal market will drop in future because coal prices are not likely to reach a level which will justify increased production.

This was the conclusion reached by JCI executive director and chairman of the group's coal and base metals division Michael Hawarden in a speech to the Coaltrans 90 Conference in Brussels yesterday.

In 1989, SA's share of the steam and coking sectors of the world seaborne coal trade was 27% and 2% respectively — or 14,6% of total seaborne trade

Hawarden said export tonnage would have to almost double to 84-million tons per annum (mtpa) by the year 2010 from its present 44mtpa if SA was to retain its share of world markets. To maintain market share, exports would have to reach 55mtpa in 1995, 64mtpa in 2000, 74mtpa in 2005 and 84mtpa in 2010.

But Hawarden said while achieving 64mtpa was possible, 84mtpa was an unlikely achievement.

A Minerals Bureau spokesman said the average export price of coal was about $32 a ton.

Hawarden said· "As far as 80mtpa of SA coal exports is concerned, it is a physically possible but commercially improbable achievement. The likelihood is rather that, taking account of new coal production, the inherent strength of the major producers, competing energy sources and the threats to carbon-based fuels, SA's coal exports will peak at about 64mtpa before eventually declining."

He disclosed that decisions to expand mine and terminal capacity to 53mtpa were being taken.

Meanwhile, NUM general secretary Cyril Ramaphosa, in his address to the same conference yesterday, said sanctions against SA's coal exports and other products should be maintained until there was irreversible change in SA He was optimistic it could happen soon

He criticised SA for continued discrimination

Asked if a future ANC-led government would nationalise coal mines, Ramaphosa said nationalisation was just one option for redistributing wealth in SA.

● See Page 8

On the road to keeping SA's share of coal markets

BDay 4/10/90. 215

MICHAEL W HAWARDEN

THE ability of SA to keep its share of the world coal market and expand exports above the present level of 44-million tons a year has to be seen in terms of the investment needed for a series of incremental increases in production.

Last year SA's share of the steam and coking sectors of seaborne coal trade was 27% and 2% respectively, or 14,6% of total seaborne trade.

If this market share is to be retained, SA's coal exports would have to reach 55-million tons per annum (mtpa) in 1995, 64mtpa in 2000; 74mtpa in 2005 and 84mtpa in 2010.

It is probable — but by no means certain — that the expansion of coal exports to 53mtpa and the replacement of existing export reserves can be achieved largely through extensions of existing mines, or "brownfields" operations.

Beyond 53mtpa however, entirely new "greenfields" mines will be needed. Mines will have to be further from traditional, well-supported districts like Witbank, more difficult mining conditions and thinner seams will have to be tolerated, and poorer raw coal grades will result in declining yields.

The mines required to support SA coal exports of more than 53mtpa will ideally be large (greater than 4mtpa), but not necessarily opencast, increasingly expensive projects with present day capital costs close to R300 per annual ton.

The terminal facilities at the Richards Bay Coal Terminal (RBCT) have a capacity of 44mtpa and are expected to be fully utilised this year. The RBCT board has approved a programme to increase operational capacity to 53mtpa by 1992.

Expansion of RBCT beyond 64mtpa will require major new investment in every aspect of the facilities. The investment needed to expand annual throughput from 64-million tons to 80-million tons would be about R1,12bn.

Government, the coal industry and the shareholders of RBCT might decide that there are other locations better suited for this development. It is not inconceivable, in the era of dynamic political evolution, that Maputo will be seen as the logical port at which to develop a new export terminal.

There is no shortage of coal reserves, and the consensus of opinion is that there will be enough growth in demand for coal during the next 20 years that SA, should it make economic sense to do so, will find a ready market for virtually any realistic programme of expanded coal exports.

So when and how will SA's coal exports reach 80mtpa?

The second part of the question is perhaps easier to answer — how to get to 80mtpa of exports, which it is assumed are going to be mostly medium volatile steaming coals.

Up to 53mtpa will probably be through extensions to mines using existing infrastructure and the port facilities now being commissioned. The free on board Richards Bay price needed to justify investment in a new mine in these conditions is estimated to be $38,31 a ton.

From 53mtpa to 64mtpa a new generation of mines will be required with associated infrastructure at increased cost. These will be fairly close to existing mines but mining conditions will be less favourable. The port expansion will be a "brownfields" project and have costs comparable to those of today.

The minimum price requirement is estimated to be $40,73 a ton free on board at Richards Bay.

Beyond 65mtpa, the scenario changes dramatically.

Deep mines, mechanised and hence capital intensive with lower yields and with new infrastructural requirements, must open up in virgin areas with a radically increased cost structure. The port expansion, too, will require a greenfields project at much greater cost.

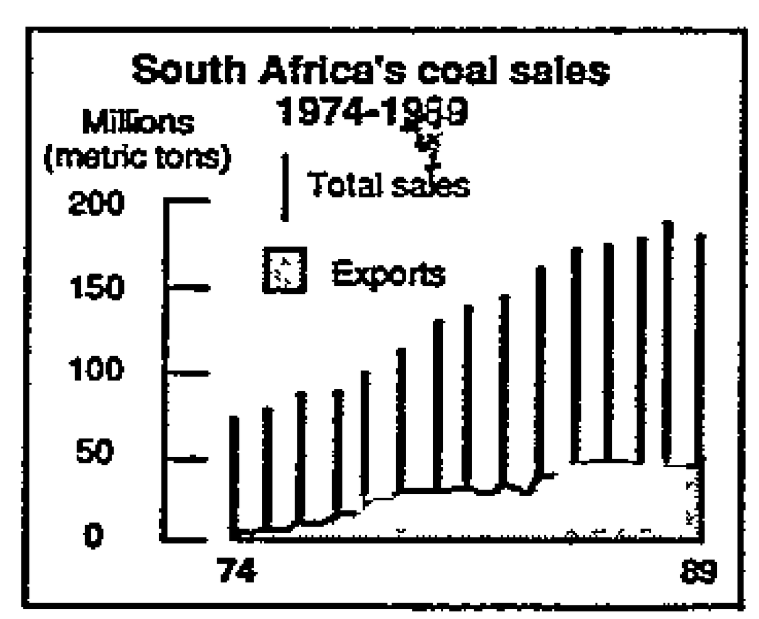
It is estimated that a price of more than $44 a ton free on board at Richards Bay (in 1990 money) will be required for such a mine to be an economic propostion.

As to when we might reach 80mtpa, mine owners can probably foresee a price in today's terms approaching $38 a ton within the next five years and so the decisions to expand mines and terminal capacity to 53mtpa are being taken.

DISTRIBUTION OF SA COAL EXPORTS (as % of total)

Importing Sector	1981	1982	1983	1984	1985	1986	1987	1988	1989
Western/Mediterranean:									
Europe	71	63	57	61	61	54	50	46	45
Japan	15	21	21	21	19	20	18	14	12
Other Asia	7	10	13	11	11	15	24	30	38
Middle East/Africa	4	3	6	5	7	9	8	10	5
North America	3	3	3	2	2	2	—	—	—
Total	100	100	100	100	100	100	100	100	100

(Source: JCI Intelligence Files)



Graphic: LEE EMERTON Source: JCI

The next phase (53 to 64mtpa) is possible, but less likely in that a price exceeding $40 a ton is difficult to visualise in the next decade, if one is to believe the forecasts of readily accessible and hence cheap coal due to be mined and placed on the market by emerging producers.

Expansion by SA to 80mtpa in the next 20 years is even less feasible, requiring prices of about $45 a ton — unless of course, other producers are confronted by similar rising costs, in which event the economics of the world steaming coal trade could change dramatically.

If this is not the case, I can only conclude that SA's market share in the longer term will be captured increasingly by other suppliers (such as the US) which have large production capacity and infrastructure in place and where the additional coal can be produced at marginal cost.

As the SA economy is currently structured, it is unlikely that any new investment will be made if it does not render an acceptable return. The outcome then may well be a move to 53 to 55mtpa by 1995 and subsequently to 64mtpa, at which level profits will be adequate and competitive pricing to retain market share will still be possible. This latter level could be attained by the year 2000 at the soonest.

As far as 80mtpa of SA coal exports is concerned, it is a physically possible but commercially improbable achievement. The likelihood is rather that, taking account of new coal production, the inherent strength of the major producers, competing energy sources and the threats to carbon-based fuels, SA's coal exports will peak at about 64mtpa before eventually declining.

In the absence of a fundamental structural change in the economics of the energy industry — such as significant and permanent increases in the prices of alternative fuels — the target of 80mtpa is likely to remain a planner's dream.

□ Hawarden is chairman of JCI's coal and base metals division and chairman of the collieries committee of the Chamber of Mines. This is an edited excerpt from his address to the Coaltrans 90 conference in Brussels yesterday.

R275m loan to help boost coal exports

PETER GALLI

A R275m loan agreement has been reached between Nedbank and Richards Bay Coal Terminal (RBCT) to finance the upgrading of RBCT's coal export capacity from 44-million tons to 53-million tons a year, Nedbank said yesterday. BDay 12/10/90

This follows RBCT's invitation to major financial institutions for funding tenders.

The project involves mainly the funding of an additional tippler, a stacker reclaimer and associated conveyors, and additional stockyard capacity at Richards Bay.

Nedbank has made the loan available for 15 years from the date of completion of the project, planned for December 1991.

"This is a longer than average term for this kind of project financing.

"The transaction has been structured as a multi-instrument facility with unique options designed to provide RBCT with maximum flexibility and to minimise cost and interest rate risk exposure," Nedbank executive GM: corporate division Mike Leeming said. (215)

The bank had reason to be optimistic about the industry because of its long association with coal exporters and of positive feedback from international markets.

"We believe our country needs to increase its export volumes in order to generate foreign exchange. Nedbank, therefore, views its role in export-related financing as important in the development of a new SA," Leeming said.

Coal sales up but shipping delays hit Witbank profits

PETER GALLI

SHIPPING delays at Richards Bay were the principal reason for Witbank Colliery's 13% after-tax profit drop in the September quarter, deputy chairman Allen Cook said last night. B Day 16/10/90

However, he believed the shortfall should be made good in the present quarter as tonnages, held up at the harbour, were shipped.

Coal sales for the company in fact rose to 6,22-million tons from the June quarter's 5,97-million tons because of stronger domestic demand.

Eskom increased its burning rate at the Duvha and Kendal power stations, and this countered lower demand elsewhere.

The net result was a lower average price a ton of coal, with the quarter's pre-tax working profit dropping to R65,3m from the June quarter's R73,5m.

Reported capital expenditure increased markedly in the September quarter to R48,7m from June's R18m (215)

Responsible for this were development projects at Khutala, Douglas and the Van Dyks Drift north shaft project.

However, the larger figure included expenditure in previous periods but paid in the September quarter, Cooke said.

The final dividend was increased by 15c to 390c which, with the interim payment of 210c, raises the total dividend for the year to 600c from 1989's 550c.

Thrust by Southwits expands reserves

RIAAN SMIT

AN EXPLORATION thrust has seen listed Southern Witwatersrand Exploration Company (Southwits) expand its reserves of high quality export coal, chrome and gold during the past six months 215

The company has also been successful in developing its prospects to generate revenues which are crucial to maintaining its long-term viability as an exploration company B/Day 17/10/90

According to Southwits's interim report, the outlook for its Southplats venture area — which is undergoing a detailed mine feasibility study — is extremely promising.

The report discloses that a feasibility study of its Middelburg coal deposit has proved 10-million in situ tons of high grade coal to a depth of 50 metres.

Southwits has expanded its mineral rights holdings in its Brits Chrome Venture area This means the company has now doubled its economically exploitable reserves on the MGI chromite layer to about 16-million tons

Encouraging coal study reported by Southwits

(215)

Star 17/10/90

By Derek Tommey

Southwits says that a detailed feasibility study on coal deposits held by its subsidiary, Middelburg Coal, have produced encouraging results.

Some 10 million tons of export coal has been proved down to a depth of 50 metres and the company is considering the best ways to exploit this coal, says Southwits in its quarterly report.

Its subsidiary, Southplats, reports that the detailed geological exploration, metallurgical testwork and process plant design on the orebody of the large south-west anomaly is on schedule and the outlook remains favourable.

Southplats was listed on the JSE on July 5 after raising R5 million for the exploration work.

GOLD ASSAY

At Southmurch, in which Southwits has a 49,5 percent stake, a geological study has confirmed the existence of a partial duplication and extension of the La France ore body.

Gold assays exceeding 7 g/t over 3 metres have been proved Additional possible reserves are thought to be significant.

Star 23/10/90

Coal miners strike over race policies

215

By Shareen Singh

Coal miners at Genmin's Matla Colliery in the Eastern Transvaal downed tools yesterday demanding an end to racial discrimination at the mine, a union spokesman said.

Jerry Majatladi, spokesman for the National Union of Mineworkers (NUM), said 1 300 workers stopped work yesterday morning at Shaft 2 and 3. Later a further 800 from Shaft 1 joined them.

A Genmin spokesman said about 350 workers were on an illegal strike.

About three weeks ago workers went on a defiance campaign by using change rooms which they claim were reserved for whites only.

Management at Matla Colliery instituted disciplinary action against 40 workers who participated in this campaign, the union said

Workers then downed tools demanding an end to racial discrimination and the withdrawal of the disciplinary action against their colleagues.

Inquest No 2 fails to name De'Ath killers

ARGUS 24/10/90

215

Staff Reporter

THE second inquest on International Television Network (ITN) cameraman George De'Ath, who died after an attack in KTC in 1986, has failed to establish the identity of his killers.

An inquest court heard yesterday that Andile Fosi, the sound engineer with Mr De'Ath, was unable to recognise anyone on a videotape taken just before the attack

Mr Les Rose-Innes, counsel for the De'Ath family, said the Attorney-General had to decide whether the police should reopen their investigation

WITDOEKE

According to magistrate Mr W J M Marais the evidence available did not expose the killers and the court had to revert to Mr Fosi's oral evidence.

Mr Fosi told the court earlier that he and Mr De'Ath were attacked by a group of Witdoeke. He described one as a short, dark-complexioned Xhosa-speaking man in his early thirties, with a moustache

Mr Fosi knew he was a Witdoek because of his headgear and white armband.

Another assailant was "huge and tall with big eyes and short hair".

Mr De'Ath died of cardiac arrest on June 14 1986 after being wounded in the head with a panga in KTC four days earlier.

According evidence given in 1987, a videotape filmed by Mr De'Ath moments before he was wounded was edited before police handed it back to ITN.

Mr Marais said the attackers were probably among the Witdoek group. However, a group *per se* could not be held responsible.

A crime had definitely been committed and the matter would again be referred to the Attorney-General

The aggrieved party could also make a request to the Attorney-General

It was possible that the police transgressed when the video was cut and the Attorney-General had to decide whether anyone in the police force should be prosecuted

Mrs S J Smith appeared for the State.

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Delays on coal contracts put Frigate into the red

215

PETER GALLI BDay 31/10/90

MINING group Frigate, whose shares were suspended on the JSE in June and reinstated in July due to a short-term liquidity problem, has posted an operating loss of R4,6m in the period to end-June compared with the previous operating profit of R2,6m.

CE Mike Stanley said this loss was due to the delay in a large coal supply contract for which two new opencast mines and one underground section were developed.

Also, unforeseen technical problems related to coal quality during the commissioning of these mines, and the lower than budgeted demand on both the domestic and export markets, had had an impact.

This resulted in one coal mine being put on a care and maintenance basis and other mines operating below capacity. However, Stanley said that while coal sales for the half-year remained static in real terms, contract mining activities continued to perform satisfactorily.

Furthermore, the group has entered into a distribution agreement with a major coal trader which will increase market penetration, he said.

Industry sources believe the agreement is with Macphail but Stanley refused to comment.

He said the agreement was for the distribution of all the coal produced by the group except for that subject to existing contracts. "The agreement is very positive for the growth of the group," he said.

He added that while these steps would reduce the loss for the second half of 1990, the major impact would only be felt in 1991.

On top of the operating loss were finance costs of R2,8m, which resulted in an after-tax loss of R7,3m compared with a profit of R497 000 last year. This translated into a loss per share of 22c from earnings of 2c per share last year.

SA 31/10/90 (215)

Frigate in rough passage

The Frigate Group, which came to the market a year ago, reflected an operating loss of R4,5 million in its maiden interim report for the six months to June.

This compares with an operating profit of R2,6 million in the same period last year.

The loss occurred in spite of 39 percent increase in turnover from R27 million to R37,6 million.

The operating loss for the six months, together with finance charges of R2,8 million (R2,1 million previously), took the bottom line loss to R7,3 million, equivalent to 22 cents a share, against after-tax profits of R497 000 (two cents a share) in the first half last year.

No interim dividend as been declared.— Sapa.

Clashes at JCI colliery as thousands down tools

Star 1/11/90 2.15

By Brendan Templeton

Five collieries have been hit by industrial action involving two work stoppages and a continuing mass strike over the past two days.

About 800 mineworkers at JCI's Phoenix colliery held a brief work stoppage yesterday after clashing with police and mine security, the National Union of Mineworkers (NUM) said yesterday.

Higher wages

Several workers were injured, one of them critically.

Another 1 500 ended a work stoppage at Blinkpan Colliery, Witbank, after an agreement with the mine to end racial discrimination.

And 5 100 miners at Iscor collieries at Thabazimbi, Sishen and Grootgeluk were continuing their 15-day strike for higher wages.

Industrial action on the collieries seems set to continue, with union attention diverted from gold mines due to the low gold price.

Bugging devices were found at union meetings at Sishen and Grootgeluk mines, the NUM said.

It claimed this formed part of an intimidation campaign by management to break the strike

Management denied the intimidation campaign and said bugging was contrary to company regulations.

All allegations would be investigated with the union's involvement, management said.

The clash at Phoenix occurred after security police tried to arrest a miner but were prevented by other workers from leaving with him until they explained what had happened to a worker who was detained last month

Mine security was called in and teargas and rubber bullets were used to disperse workers.

Management denied the allegations and said an investigation was taking place in accordance with an agreement with workers. It was not prepared to discuss the issue further.

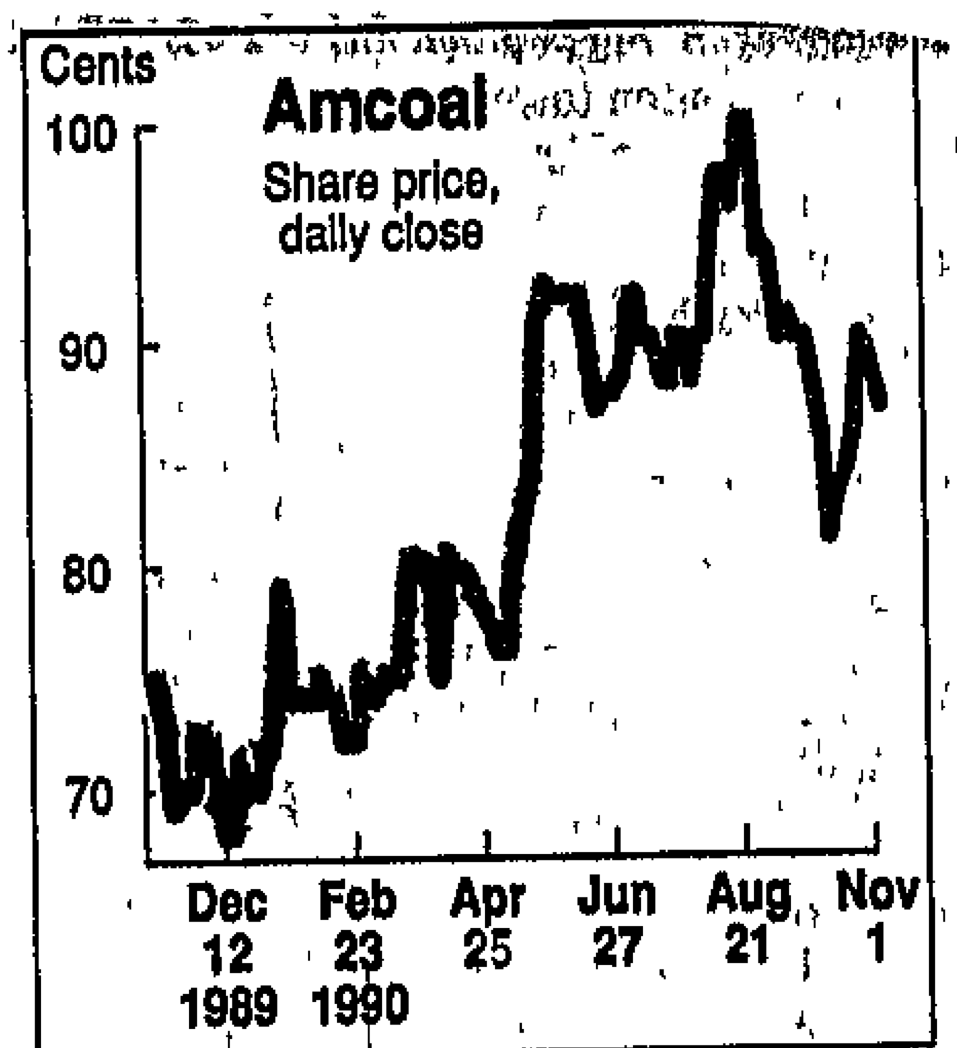
Tension was running high, with police vehicles patrolling the mine Management needed to explain "the regular disappearance" of workers from hostels, the NUM said

Desegregate

The Blinkpan breakthrough came after management agreed, during a meeting with the NUM, to desegregate buses.

Workers in non-essential services downed tools for the duration of the meeting.

Defiance against racially segregated facilities such as change-rooms was spreading to other Genmin collieries, the union said.



Graphic: FIONA KRISCH Source JSE

R900m to boost Amcoal's output

B Day 2/11/90 (215)

RIAAN SMIT

ANGLO American Corporation's coal mining subsidiary Amcoal will spend R900m over the next three years to increase production primarily for export through the Richards Bay coal terminal.

The 4,3-million ton expansion would be financed by existing cash reserves and expected future cash flows, a spokesman said yesterday. Amcoal had cash resources of R764m on March 31 this year, its annual report said.

The company yesterday reported interim attributable earnings for the six months to end-September up by 6,5% to R137,8m (R129,4m) and declared a dividend of 138c a share, an increase of 10,4% over the 125c a share declared last year.

Although interim operating profits dropped by 18% to R198,2m (R241,8m), mainly because of lower export tonnages, a stronger rand dollar exchange rate, and increased unit working costs, this was offset by a R53,9% increase to R70,5m (R45,8m) in interest and investment income and a reduction in taxation, the spokesman said.

The 4,3-million tons a year expansion involved the development of the Kromdraai opencast operation and the expansion of the Kleinkopje operation, at the SA Coal Estates (SACE) complex, at a capital cost of R855m.

Kromdraai would contribute 3-million tons a year, with the coal processed through a new plant at the site of the old

☐ To Page 2

Amcoal

B Day 2/11/90 (215)

☑ From Page 1

Navigation colliery. A further 600 000 tons a year would be sourced from the expanded Kleinkopje colliery.

Kleinkopje and Landau collieries, which form SACE, produced 6,52-million tons in the year to March 31. The development of Kromdraai and expansion of Kleinkopje would also replace depleted capacity at Landau, the spokesman said.

The remaining R45m of the R900m would be spent on expanding operations at Goedehoop colliery to produce a further 700 000 tons.

The spokesman said while some of the incremental tonnages from Goedehoop would be produced in 1991, the main projects at Kromdraai and Kleinkopje would be commissioned in 1992.

Amcoal chairman Graham Boustred said yesterday while it was difficult to make forecasts in "today's uncertain environment", it was expected that the Richards Bay Coal Terminal would reach the 53-million tons a year export capacity in 1995.

Commenting on Amcoal's prospects for the second half of the year, Boustred said earnings would be similar to those for the first six months, assuming a largely unchanged rand dollar exchange rate.

Trans-Natal forced to close one of its collieries

Star 3/11/90

215

ONE of Trans-Natal Coal Corporation's collieries will close and another will face substantial cutbacks in production as a result of Eskom's decision to mothball its Camden and Komati power stations.

In a statement last night, Trans-Natal's managing director Mike Salamon said the affected mines were Usutu Colliery, near Ermelo, and Koornfontein Mines, near Middelburg.

It had not been possible to determine finally what the impact would be on the staff of Koornfontein because of the complexity of its operations, Mr Salamon said.

At Usutu, the closure of the colliery was likely to lead to the loss of some 500 jobs.

"Trans-Natal will immediately commence negotiations regarding Eskom's contractual obligation to the Group", MrSalaomon said.— Sapa.

Coal interests buoy Rand Mines results

B/Day 7/11/90

215

RIAAN SMIT

RAND Mines' expanded coal interests salvaged the group's year-end results in the face of lower metals and minerals prices.

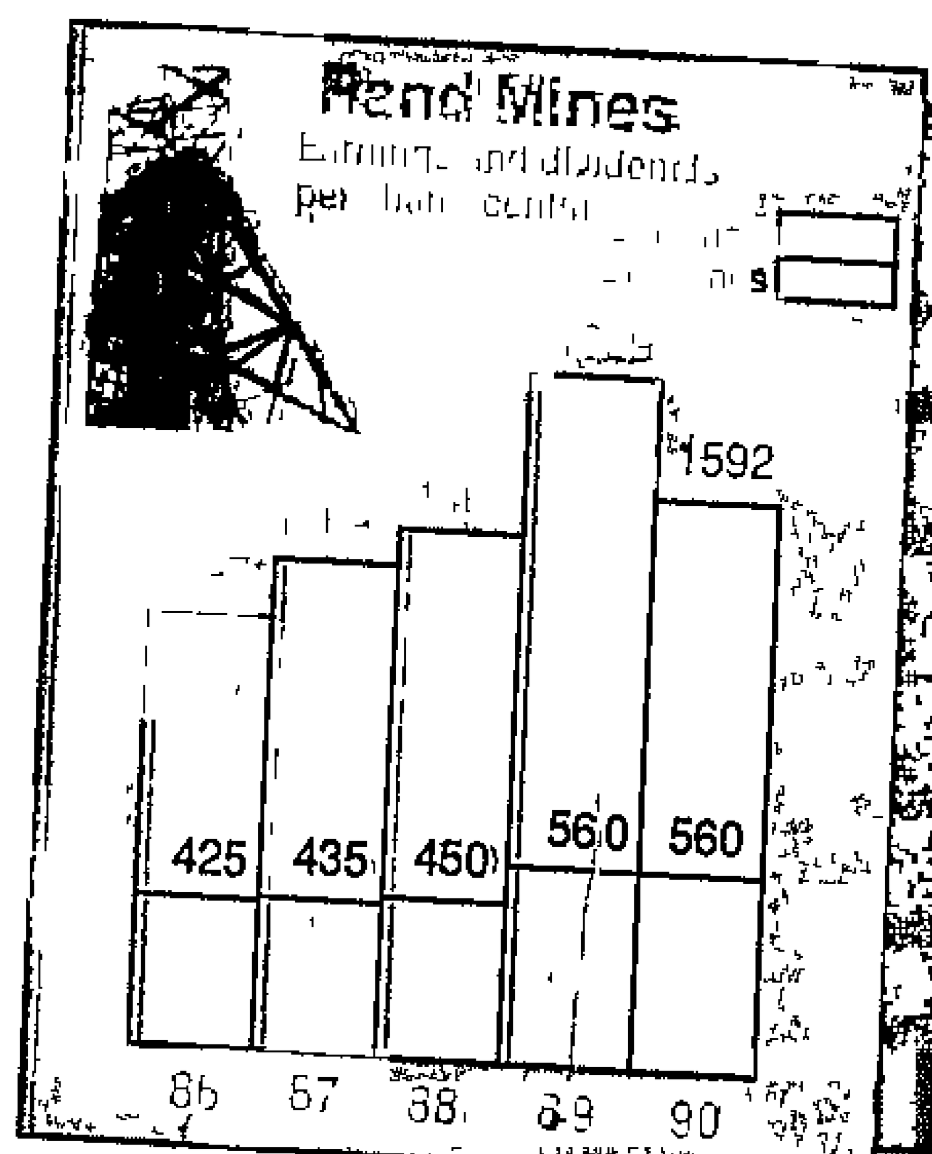
Results announced today showed attributable profit increased 4,7% to R226,4m (1989: R216,3m) but earnings a share were down to 1 592c from 1 929c because of an increased number of shares in issue following the 33-for-100 rights issue in December 1989, which raised R281m.

The final dividend a share has been maintained at 440c bringing the total to an unchanged 560c a share.

Chairman Dammy Watt said yesterday there was no doubt the group was dependent on its coal interests, "and will be for some years to come".

Coal's contribution to group profits probably exceeded 70%, compared with 60% in the 1989 financial year, a company spokesman said yesterday.

"Considering the tough trading conditions in the metal and minerals markets, the firm rand, domestic inflation and the widespread labour problems we have



Graphic LEE EMERTON Source: RAND MINES

faced along with the rest of the mining industry, these results are satisfactory," Watt said.

The market yesterday expected poor results and outlook for the group. The share price dropped 10,6%, or 900c to R76.

☐ To Page 2

Rand Mines

B/Day 7/11/90

215

☐ From Page 1

Increased coal revenues from the acquisition of an additional 49% of the Middelburg Joint Venture from UK energy giant BP, which took the group's stake to 60%, pushed up total turnover by 24% to R1,7bn.

But working profit was only marginally up at R409,9m (R396,8m) reflecting the severe pressure on margins, particularly in base mineral and gold recovery operations, the spokesman said.

Investment income rose 21% to R99,4m in line with increased portfolio sales and investment of rights issue funds. Bearing in mind the rate of expansion of the group's coal interests, the two platinum rights issues, and the further loan to the ERPM marginal gold mine, these funds might be substantially reduced by now.

The spokesman said the interest burden — up 35% to R63m — was heavy as a result of the loan raised for the Middelburg acquisition as well as the high interest rates which prevailed.

The group made a below the line provision of R70m for preference shares held in ERPM. This was a conservative move but consistent with group policy adopted last year when the investment in ERPM ordinary shares was written off.

Turning to the group's other interests, he said the contribution from gold operations was well down for the year, taking into account the continued low rand gold price, spiralling production costs and continuing labour problems.

"However, the difficulties facing gold producers are not confined to Rand Mines. They are industry-wide," he said.

been appointed to O & M's worldwide board with immediate effect. An unrestrained about the way in which his staff congratulated him. Putter is under the "V" in Bravo.

Coal interests boost Rand Mines profits

215

Cape Times 7/11/90

JOHANNESBURG. — The expanded coal interests of the Rand Mines group boosted attributable profits by 5% from R216,3m to R226,4m for the year ended September.

Financial results released yesterday point out that because of the increased number of shares in issue following the rights issue in December 1989, the earnings a share for the year are down from 1 929c to 1 592c.

The final dividend has been maintained at 440c, making an unchanged 560c for the year on a reduced cover of 2,8 (3,4).

Group turnover for the year rose by 24% from R1,4bn to R1,7bn as a result of increased coal revenues.

In spite of higher turnover, working profit was only marginally up from R396,8m to R409,9m, reflecting a severe pressure on margins, particularly in base mineral and gold recovery operations.

Investment income increased by 21% from R82,1m to R99,4m in line with increased portfolio sales and investment of rights issue funds. — Sapa

THE

Star 7/11/90

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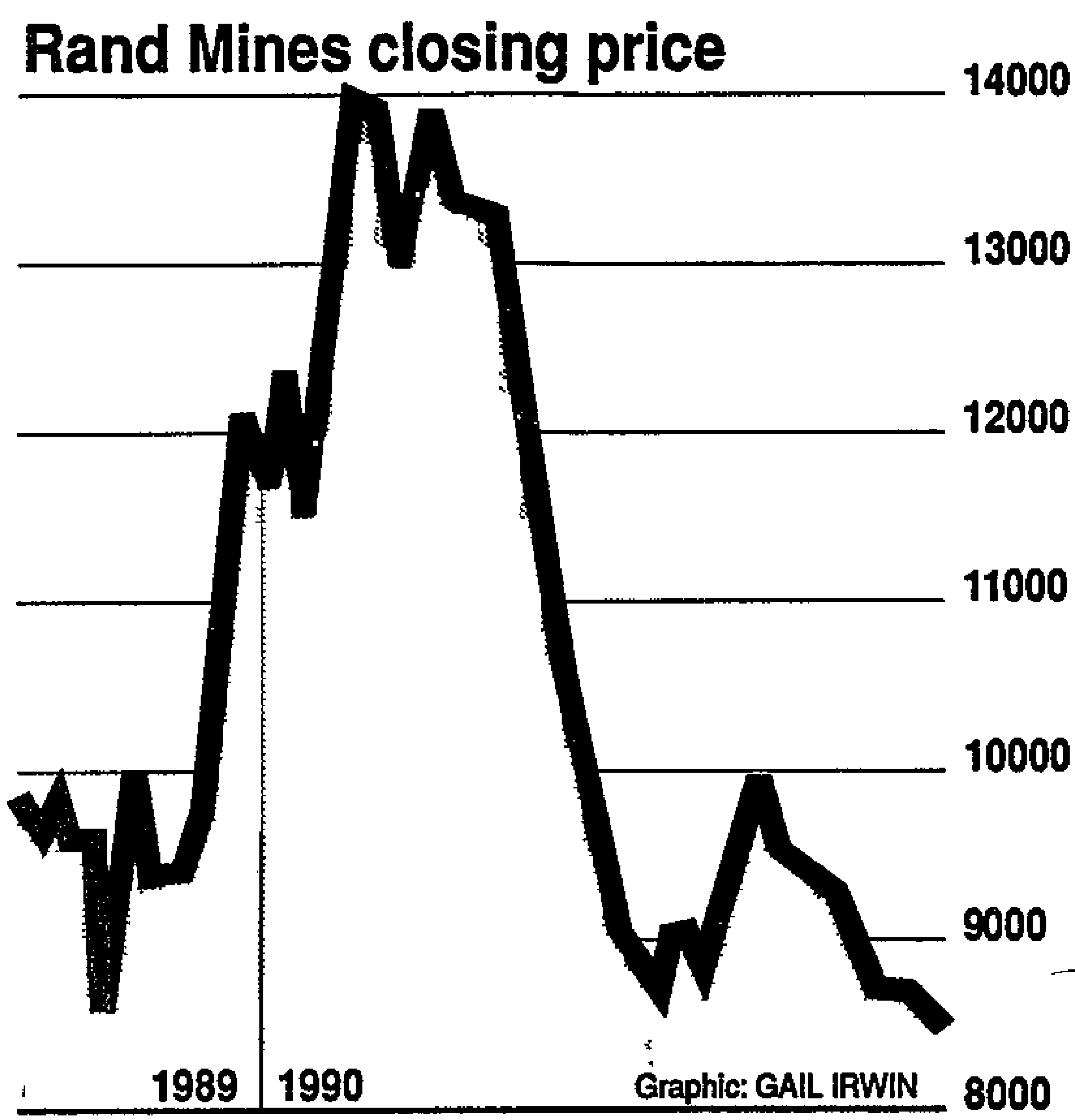
Coal buoys Rand Mines



By Derek Tommey

Rand Mines' shares have taken a hammering in the past 12 months.

Troubles at its gold and metal mines and concern about its platinum interests have forced its shares down 40 percent from their peak so that they are now giving what is an exceptionally high yield of 6,6 percent for a mining house.

But investors who sold down Rand Mines' shares should have borne in mind the group's huge coal interests

Exporter

Chairman Dammy Watt says the group is now almost as big a coal exporter as the industry's giants — Amcoal and Trans-Natal.

The coal interests have enabled Rand Mines to report a five percent increase in profit from R216,3 million to R226,4 million for the year to September and maintain its dividend, despite the much-publicised problems in its gold and base metals divisions.

However, the increase was not large enough to make good the dilution in earnings after the 33 shares for every 100 shares rights issue last December and earnings fell to 1592c from 1929c a share

Nonetheless, the unchanged dividend of 560c for the year is still well covered by 2,8 times earnings, though down from last year's 3,4 times

Mr Watt says the results are satisfactory, considering tough trading conditions in the metals and minerals markets, the firm rand and the inflation that the group, along with the rest of the mining industry, has had to face.

Increased coal revenues boosted group turnover 24 percent from R1,4 billion to R1,7 billion

The rise in coal revenue was generated largely by the acquisition of an additional 49 percent of the Middelburg Mine Joint Coal Venture, which lifted the group's stake to 60 percent.

Although no divisional breakdown is given, coal is believed to have contributed more than 70 percent of group profits — up from 60 percent last year

Mr Watt says that with the Khutala and Majuba mines still in the development stage, in line with Eskom phasing, there is scope for coal's contribution to grow further

The group is dependent on its coal interests and will be for some years to come, he says

Investment

Despite the 24 percent increase in turnover, working profit rose only marginally from R396,8 million to R409,9 million because of the severe pressure on margins in the base minerals and gold recovery operations

Investment income rose 21 percent from R82,1 million to R99,4 million, in line with increased portfolio sales and the investment of rights issue funds

Some of this investment income apparently is the result of the sale of shares in the group's managed gold mines, which Mr Watt says is continuin in line with a decision made last year

This suggests the group is not particularly optimistic about any recovery in the gold price in the foreseeable future

Pre-tax profits were R326,2 million (R330,3 million), from which the taxman took R42,7 million (R59,2 million last year) and minority interests R57,1 million (R54,8 million)

Apart from slowly reducing its holdings in its managed gold mines, Rand Mines has provided R70 million against the preference shares held in marginal gold producer ERPM.

Mr Watt says this is a conservative move, but consistent with group policy adopted last year, when the invetment in ERPM ordinary shares was written off

Retrenchments

He says the difficulties facing gold producers are not confined to Rand Mines — they are industry-wide and will probably lead to further retrenchments and cutbacks as the industry continues to implement survival packages.

Major coal exports Trans-Natal and Amcoal are yielding 4,3 percent to 4,6 percent

It will be interesting to see whether Rand Mines, now also a major coal exporter, will move to a similar dividend-yield basis

Wit Cols saves Rand Mines group results

B Day 13/11/90

REVENUE of Witbank Colliery Group, Rand Mines' coal mining arm, exceeded the R1bn mark for the first time in the financial year to September 30 when its revenue rose by 36,7% to R1,1bn.

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But net profit increased only 18,2% to R193m because of higher interest paid on loans to finance the acquisition of Middelburg Mines. The acquisition, which boosted export volumes, was the main reason for the increase in revenue to R1,1bn from R795,5m.

Witbank's contribution to the Rand Mines' overall results, estimated at between 60% and 70% by chairman Dammy Watt, salvaged the group's overall results, which were published last week.

The coal arm's dividend rose by 50c to 600c a share.

Witbank chairman Allen Sealey said yesterday other

RIAAN SMIT

reasons for the jump in revenue were higher average export prices, a weaker rand/dollar exchange rate, a full year's contribution for the first time from Majuba Colliery, and increased prices on the inland market.

Working costs per ton mined increased 18,3%.

Capex, which includes the cost of the acquisition of a further 48,5% of Middelburg, totalled R463,8m for the year (1989: R163,4m).

Sealey said it was necessary for the group to obtain medium-term loan facilities and at the end of the year borrowings from this source were R176m compared with a cash balance of R68m in 1989.

He did not expect that there would be any material change in the level of exports in the year ahead.

'Genmin looks to Poland'

KIN BENTLEY

LONDON — General Mining, owned by Gencor, is interested in investing in Polish coal mining, claims a report in Coal Monitor, published by the Dutch anti-apartheid group World Shipping Bureau.

BDay 20/11/85

However, last night Gencor's Trans-Natal Coal Corporation chairman Brian Gilbertson denied the report, saying the group would be more interested in exports to Poland.

The report says co-operation between SA and Poland seems to go far beyond the contract between Iscor and Poland's Weglokoks coal export agency.

"According to this contract Iscor will import Polish met (metallurgical) coal unavailable in SA."

The report says negotiations were concluded between Weglokoks and an SA delegation headed by Iscor senior GM B C Alberts in July.

The contracts indicated that SA was aiming at a "long-term supply of Polish met coal for Iscor and, in return, SA capital is expected to assist Poland to modernise. (215)

"Apparently, the SA team also included officials of General Mining ... which is interested in investments in Polish coal-mining."

Coal Monitor said although the talks had been of a tentative nature, it was likely Iscor was "seeking a secure supply base".

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Amcoal spending R900-m in a renewed export drive

Anglo American Corporation's coal mining subsidiary, Amcoal, has announced a R900 million capital programme to increase its production of coal, primarily for export through the Richards Bay coal terminal

This involves the development of the Kromdraai opencast operation and the expansion of the Kleinkopje operation, both at the South African Coal Estates (SACE) complex, at a capital cost of R855 million.

The opencast operation will contribute 3 million tons of coal a year with the coal processed through a new plant located at the site of the old Navigation colliery, and a further 600 000 tons a year will be sourced from the expanded Kleinkopje colliery.

Amcoal has also announced plans to expand operations at Goedehoop colliery, at a capital cost of R45 million, to produce a further 700 000 tons a year.

These new developments are intended to utilise the increase in Amcoal's export entitlement from 9,6 million tons to 12,5 million tons a year as a result of the current refurbishment and upgrading of the Richards Bay coal terminal from 44 million tons to 53 million tons a year.

They will also meet Amcoal's need to replace capacity at SACE's Landau colliery.

Whilst some of the incremental tonnages from Goedehoop will be produced in 1991, the main projects at Kromdraai and Kleinkopje will be commissioned in 1992.

Amcoal has declared an interim dividend of 138 cents a share for the half-year ended 30 September, 1990, an increase of 10,4 percent over the 125 cents a share declared last year.

Earnings attributable to Amcoal shareholders increased by 6,5 percent to R137,8 million (R129,4 million). Earnings per share at 549,1 cents (517,8 cents) increased by 6 percent.

Although operating profits decreased by 18 percent to R198,2 million (R241,8 million), mainly due to lower export tonnages together with a strengthening in the rand/US dollar exchange rate and increased unit working costs, this was offset by a 53,9 percent increase to R70,5 million (R45,8 million) in interest and investment income and a reduction in taxation.

Commenting on Amcoal's prospects for the second half of the year, chairman Graham Boustred says that earnings will be similar to those for the first six months assuming a largely unchanged rand/dollar exchange rate.

He forecasts that earnings from coal exports will increase in the next six months due to higher tonnages, although domestic earnings will be lower because of a reduction in Eskom's requirements — Sapa.

tions should trigger a swift relating

Andrew McNulty

WITBANK COLLIERIES F/M 23/11/90

FUNDING BURDEN

(215)

Given the high cost of new mining capacity — Amcoal's will cost about R210/t — there is much to be said for buying new export tonnage through acquisitions Viewed that way, Witbank Collieries (Witcolls) has not done badly out of last year's deal with BP Southern Africa.

Its wholly owned Douglas Colliery acquired for R546m the 88,5% it did not already own in the Middelburg Mine Joint Venture. Douglas then sold a 40% participation interest in Middelburg Mine, with other associated coal interests, to Tavistock Collieries and JCI. Both parties contributed additional coal reserves to an enlarged Middelburg Joint Venture.

COMPANIES

F/M 23/11/90 (215)

Activities: *Produces and markets coal for Eskom, domestic and export markets*
Control: *Rand Mines 71%*
Chairman: *A A Sealey, MD N Zolezzi*
Capital structure: *7,8m ords Market capitalisation R706m*
Share market: *Price 9 050c Yields 6,6% on dividend, 27,3% on earnings, p e ratio, 3,7, cover, 4,1 12-month high, 9 800c, low, 6 900c Trading volume last quarter, 9 386 shares*

Year to Sept 30	**'87**	**'88**	**'89**	**'90**
Coal sales (Mt)	19,6	19,0	19,9	22,2
Turnover (Rm)	498	543	796	1 087
Working profit (Rm)	88	74	174	240
Earnings (c)	1 005	823	2 089	2 469
Dividends (c)	400	380	550	600

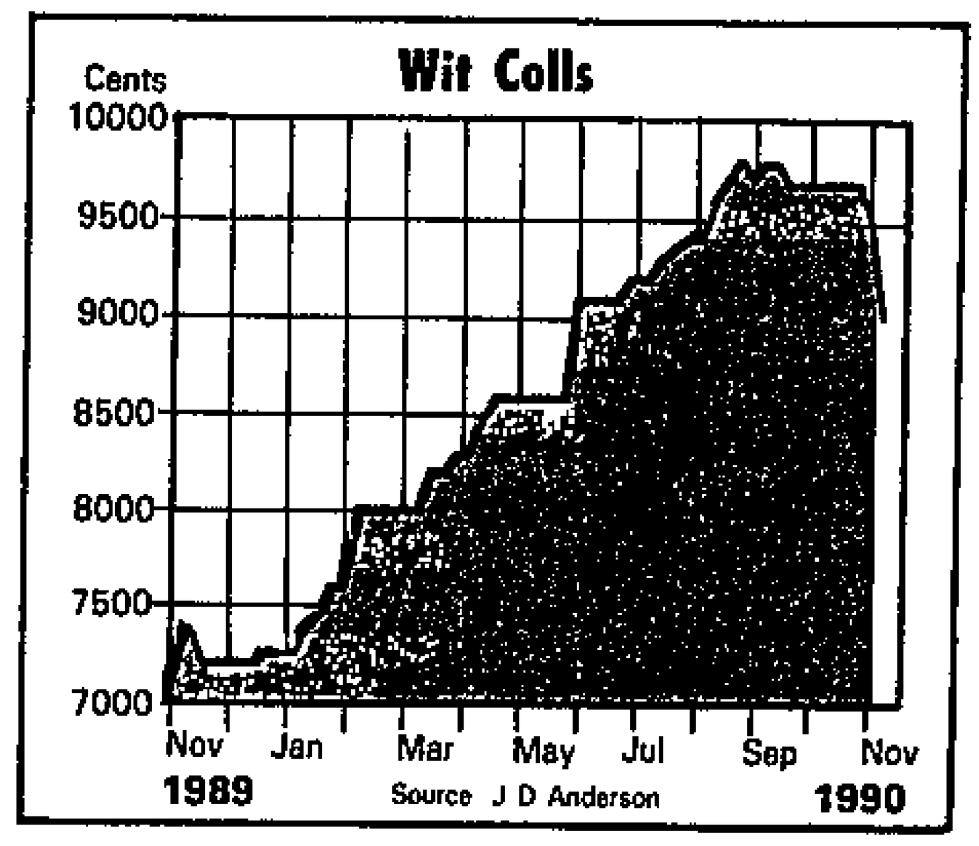
Middelburg, said to be one of SA's lowest-cost export operations, produces about 5,5 Mt/year The cost of Witcolls' net additional share in this capacity — amounting to 2,67 Mt or 48,5% — totalled R341m, or about R128/t

The capital outlay is much lower than the cost of new greenfield capacity, and generates cash flow immediately. Total capex in financial 1990 was R464m. This includes R69m incurred at Khutala and Majuba — two new projects for Eskom — and R24m at Douglas, which is expanding export capacity.

However, the funding cost of laying out the Middelburg purchase price as an upfront investment rather than developing new mining capacity over several years is considerable. The balance sheet shows a sharp deterioration and cash flow will need to be robust if earnings are not to suffer Long-term liabilities have jumped from R384m to R616m, cash has dwindled from R69m to R5,6m, and the net interest bill climbed from R8,4m to R48m.

Spending will continue, though at lower levels than last year. Douglas Colliery is busy with three capital projects to ensure the production and beneficiation capacity is available to enable use of the full allocation in the expanded Richards Bay Coal Terminal. Total cost to commissioning will be R66m, of which about a third has been spent

Just over half last year's sales were to Eskom (see table) Witcolls may prove less vulnerable than its competitors to cutbacks induced by the continuing slowdown in electricity sales However, offtake at the Duvha mine fell last year by 244 000 t On the other hand, Khutala mine's production rate in-



F/M 23/11

Witbank Colliery's Sealey ..
market remains lacklustre

creased to more than 200 000 t/month to accommodate the build-up at the Kendal power station's generating capacity; the mine's output rate will double by April 1991

Chairman Allen Sealey says the international market for steam coal remains lacklustre but "demand continues to grow moderately from year to year and medium-term prospects are positive " Short-term, an oversupply may persist, causing prices to continue to weaken. Sealey says immediate effects of the Middle East crisis are more likely to depress global economic conditions than be positive for coal demand and prices.

EXPORTING MORE

Coal sales (Mt)

	1989	**1990**
Export	5,70	7,89
Inland	3,06	3,06
Eskom	11,10	11,30
Total	19,85	22,24

Witcolls is also facing production problems Welgedacht, a high-cost producer, has swung from being marginally profitable in 1989 to a R9m loss in 1990 The mine is being critically examined with a view to a rationalisation programme to restore profitability

Another problem is working costs, which last year again outpaced the inflation rate A significant factor fuelling costs is the change in the proportion of coal mined for the export market Fuel price increases will boost costs further this year

With the cost outlook, and a stable currency forecast (and, perhaps, higher finance charges), Sealey says a reduction in profit is likely in 1991 The 6,6% yield on the tightly

/90 (215)

held share reflects near-term prospects which are weaker than those for both Amcoal and Trans-Natal *Andrew McNulty*

TRANS-NATAL FIM 23/11/90 (215)

HOME MARKETS HURTING

Activities: *Produces and markets coal for Eskom, domestic and export markets*
Control: *Gencor 42%.*
Chairman: *B P Gilbertson, MD M Salamon*
Capital structure: *70,5m ords and 9,2m comp conv 12,7% debs Market capitalisation R793m*
Share market: *Price. 1 125c. Yields 5,3% on dividend, 14,7% on earnings, p e ratio, 6,8, cover, 2,8 12-month high, 1 300c, low, 750c Trading volume last quarter, 1,2m shares*

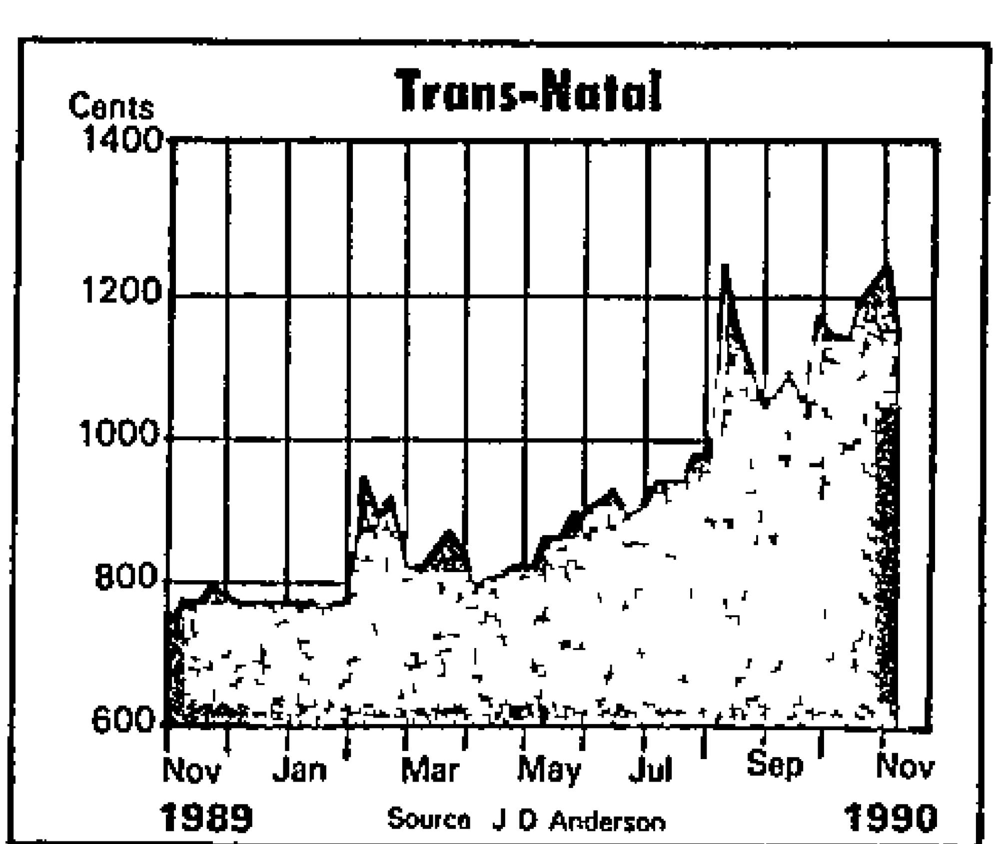
Year to June 30	**'87**	**'88**	**'89**	**'90**
Coal sales (Mt)	32,2	33,8	30,2	30,3
Trading income (Rm)	224	60	137	259
Attrib income (Rm)	77	(28)	84	131
Earnings (c)	98,0	(4,2)	76,4	165,5
Dividends (c)	60,0	—	30,0	60,0

Eskom's latest cutbacks emphasise the contrast between the domestic and export markets for coal

Trans-Natal plans to spend about R1bn over the next five years, aimed largely at ensuring capacity is available for the group's increased export allocation through Richards Bay Coal Terminal (RBCT), where capacity is being expanded from 44 Mt/year to 53 Mt by 1995 (*Fox* November 16) Once RBCT has been expanded, Trans-Natal's export entitlement will rise by just over a fifth, from 9,28 Mt a year to 11,2 Mt a year.

Given the relatively high profit margins available on exports, the increase in tonnage will be useful. A fortnight ago, however, after Eskom's announcement that it would be taking out of service and mothballing certain older power stations, Trans-Natal said coal supplies to the Camden and Komati stations were likely to end, possibly before the end of this year.

Financial effects on Trans-Natal will depend on the outcome of settlement negotiations with Eskom, regarding the supply agreement with Usutu Colliery for Camden power station, and the agreement with Koornfontein Mines for the Komati station MD Mike Salamon says the closures will reduce the group's sales to Eskom by 2,5 Mt "We hope the financial impact will be mitigated by negotiations, but it's early days yet," he says



Trans-Natal's Gilbertson
expects to maintain profit in 1991

There could, however, be a lasting and adverse effect on the profitability of new export capacity, in that Koornfontein is a multi-product complex supplying export and inland markets, as well as Komati According to the closure announcement, the reduction in the yield of saleable coal at this operation will have a severe impact on costs

Largest element of the capex programme is about R500m being spent at Koornfontein's Gloria project, which will enable production of 5 Mt a year Phase 2 of the Gloria project, involving expansion of Koornfontein's beneficiation plant, is being investigated Expenditure of about R300m is being considered to maintain production at Optimum Colliery, and a further R200m relates to a possible new shaft complex at Delmas Colliery and productivity improvement projects at various other mines

Funding will be internal The balance sheet holds cash of about R300m against interest-bearing loans of R137m

These Eskom cuts accelerate an existing trend for Trans-Natal For the second successive year, says chairman Brian Gilbertson, sales to Eskom fell more sharply than was budgeted, though slightly higher prices enabled a small increase in revenue

Sales tonnages to the general inland market also fell (see table) Gilbertson says prices rose between 16% and 24% and revenue was higher by some 15,4% For financial 1991, small increases in tonnage and revenue are budgeted

Fortunately, steam coal exports surged to a record 9,8 Mt, from 7,9 Mt in 1989 With an average dollar price up by 11,5% and a softer rand, export revenues rose by 50% and accounted for nearly half of total 1990 revenues Sales to Japan fell for the third successive year, to 1,61 Mt (1,87 Mt) Gilbertson expects this will continue, as the group is diversifying its sales geographically

A major development in the market has been rising exports by Australian producers, whose 1990 exports could be 10% higher at 50 Mt This has led to a build-up of stocks Gilbertson feels the market might improve in coming months, though intense competition between the SA suppliers remains an obstacle Commenting on current price negotiations, Salamon says "To the extent that we've settled, it's been heartening"

LESS TO ESKOM

Coal sales (Mt)

	1989	**1990**
Eskom	14,6	13,4
Exports	8,3	10,2
General trade	7,3	6,7
Total	30,2	30 3

Overall, the group will do well to produce any earnings growth in the 1991 year Benefits of the export expansion should be felt from about 1992 But, given the slack markets at home, and competition abroad, the share looks fully priced Removal of sanctions should trigger a swift rerating

Andrew McNulty

WITBANK COLLIERIES F/M 23/11/90

FUNDING BURDEN

Given the high cost of new mining capacity — Amcoal's will cost about R210/t — there is much to be said for buying new export tonnage through acquisitions Viewed that way, Witbank Collieries (Witcolls) has not done badly out of last year's deal with BP Southern Africa

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Deregulate coal industry — report

215

B Day 29/11/90

PETER GALLI

GOVERNMENT is planning to completely deregulate the coal industry in the hopes of stimulating exports.

The National Energy Council's (NEC's) Coal Advisory Committee recommended in a draft report released yesterday that quotas be lifted and government controls on export prices be removed.

The development constitutes an admission that government controls which have been in place for 20 years have not worked as expected.

An analysis by the committee of the various export control measures in force revealed that most had fallen into disuse and that free market forces were operating successfully in their place.

"Positive advantages, including the participation of new entrants, may be expected to flow from the further freeing up of export activity," the report said.

It pointed out that coal export controls as such had not influenced optimum exploitation of reserves to any significant extent. The committee said that the free market, and not export control regulations, had dictated quality and availability.

In addition, neither decentralisation nor specific regional developments had been achieved by the export regulations in force.

While most industry spokesmen were reluctant to comment, a Rand Mines spokesman said it was a positive move. Eskom's fuel and water manager Mike Deats said it was not anticipated at this stage that the recommendations would have any direct impact on coal supplies or the cost of coal supplied to Eskom.

The report said a number of the objectives for which export control measures were initially introduced were being achieved by other statutory controls.

Analysts say the intention now appears to be to encourage a more rapid growth in exports by allowing local exporters to set their own price.

It also seems designed to encourage the greater use of harbours such as Durban and Maputo which, unlike the bulk terminal at Richards Bay, can handle smaller tonnages of sized coal.

The draft report — which arose from a request by the Deputy Minister of Mineral and Energy Affairs, Piet Welgemoed, that the committee consider the adequacy and objectives of present coal export measures — is to be circulated to relevant organisations for their comment.

In 1989 coal export earnings of R3,6bn were achieved, second only to those earned from gold mining.

Few players expect lifting of sanctions to ignite coal market

B/Day 6/12/90

(215)

LONDON — The SA business community is full of speculation over what benefits will flow from a return to normal trade with the rest of the world, now that the end of sanctions is in sight.

Foremost is the coal industry, SA's second largest foreign exchange earner after gold and the world's third largest coal exporter. Exports totalled 47-million tons, or 12,6% of the world market, in 1989.

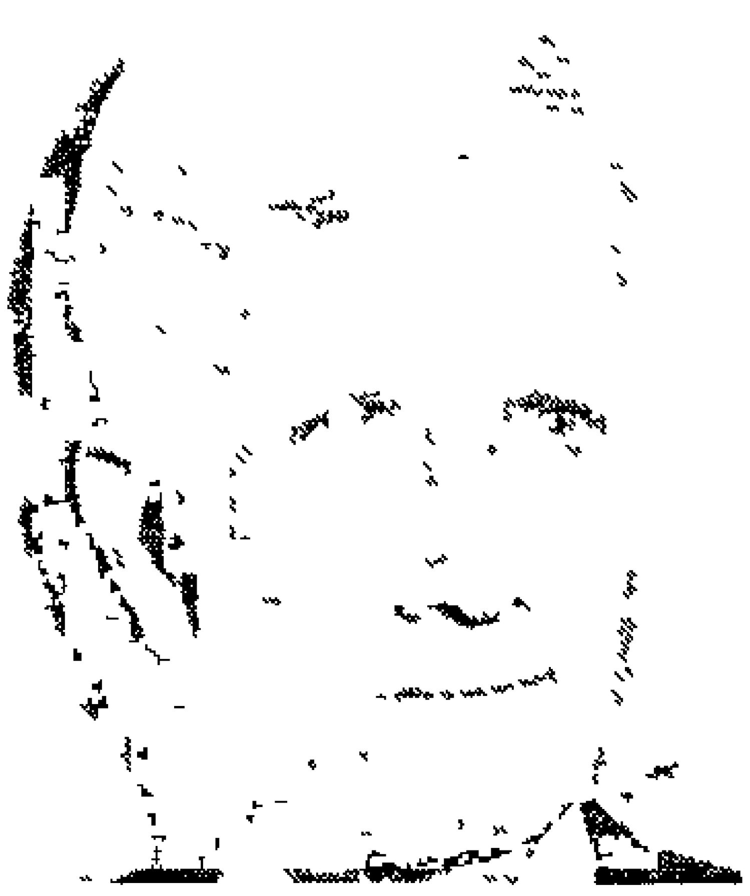
The prevailing sentiment in the sector is sober rather than buoyant. While all players agree lifting sanctions will make them more optimistic, and an expansion of capacity already under way suggests a measure of confidence, few are expecting a big improvement.

The industry was hit hard by sanctions during the mid-1980s, most importantly by the US, France and Denmark which closed their markets in 1986.

This affected about 10-million tons of SA's export volume which was then about 40-million tons a year.

However, even though these markets were lost, an increase in other markets meant there was no loss of sales.

Johannesburg Consolidated Investments (JCI) says that in 1985 about 61% of SA's coal exports went to Europe, 19% to Japan and 11% to the rest of Asia. By 1989 these figures had become 45%, 12% and 38% respectively.



● SEALEY

Maintenance of the volume exports, however, came at a considerable price. Power utilities around the world, the main purchasers of coal, traditionally seek a diversity of suppliers. The only way SA producers could maintain sales volume was by convincing their remaining consumers to depart from their normal buying patterns, which involved price cuts.

Consequently, SA coal has traded at a "political discount" for the last five years. This varies according to the market and the competition, but Trans-Natal Coal MD Mike Salamon estimates the discount averages $3 to $5 a ton and that it costs the local industry about $200m a year.

Sanctions had other effects too. Salamon says that after 1986 a greater proportion of coal sales were handled through the spot market than through term contracts, which suppliers prefer. And the sanctions-hit economy consumed less electricity, and hence less coal.

When sanctions end there are several reasons why SA's coal — essentially steam-coal which it had 27% of world seaborne trade in this sector last year — might be considered attractive.

First is quality: its low sulphur and ash content are important environmental considerations. Then there is the matter of diversity of supply. Consumers would be able to spread their risk better and would also stand to benefit from enhanced competition.

For SA, diversification would probably lead to a decline in intra-SA competition in certain markets and hence a gradual erosion of the political discount.

There is also the problem of infrastructural constraints. More than 90% of SA's coal exports — 43-million tons in 1989 — go through the Richards Bay coal terminal. Richards Bay has a nominal capacity of about 44-million tons and a R316m expenditure programme is under way to refurbish and expand capacity to 53-million tons by the mid-1990s.

The major groups are spending about R2bn on capital projects in order to be able to meet their expanded quota requirements through Richards Bay.

The most recent announcement of expanded capacity came from Amcoal, which is spending R900m to increase its capacity by 4,3-million tons.

Until such capacity becomes available any possible volume benefits from the lifting of sanctions will be largely irrelevant as the country simply lacks the capacity to ship more coal.

Even then, it will still be another year or two before there is adequate rolling stock to service this increased capacity.

Some believe bottlenecks are not really a problem.

Participate

Rand Mines coal division head Allen Sealey says: "Richards Bay is not an issue. This year we will not export to the port's capacity because we can't sell more coal without depressing the price."

Given the price elasticity of coal demand, and the experience of the recent past, major producers will clearly be very wary of pushing volume again at the expense of price.

For these reasons Sealey concludes: "It appears SA will only participate in growth of the world market to the extent that it currently has a proportion of that market." — Financial Times.

Surging oil prices could be a boost for SA's coal exporters

By ROBERT LAING (215) wlmail 7/12 - 13/12/90

THE SURGE in the oil price has had little effect on the coal price so far, but analysts predict the volatility in the oil market will gradually kindle the coal market

According to Chamber of Mines figures, South Africa ranks as the world's third-largest coal exporter, shipping 46-million tons to Europe and the Far East in 1988. Coal exports earned this country R3,6-billion in 1989

Trans-Natal CE Mike Salamon says "Looking at a time frame of five years, the demand for coal is bound to increase significantly There is not going to be much change immediately Coal prices are governed by long-term volume contracts, which are usually priced annually This year's international prices are currently being negotiated I predict a rise of between three and eight percent"

There is no international cartel in the coal industry. Many individual traders and producers compete with each other, so price rises tend to be gradual

"There are four main sources of energy available to heavy industry and electricity utility companies: oil, gas, coal and nuclear Oil has been discredited by the current events in the Middle East, which is good news for the other fuels Gas is very popular at the moment, but its disadvantage is that, like oil, it's concentrated in a few politically unstable countries Nuclear power is enjoying a slight resurgence now, but disposing of its waste remains a huge problem As long as the world's demand for energy continues to increase, demand for coal will increase," Salamon says

Chamber of Mines' collieries committee chairman Michael Hawarden calculates that for South Africa to hold its present share of world seaborne coal trade, exports will have to nearly double to 84-million tons a year by 2010

There is no shortage of coal reserves, but a bottleneck exists at South Africa's harbours

Salamon says "Even if sanctions were lifted tomorrow, we couldn't export more coal instantly because our ports are running at full capacity"

Local coal exporters have three main coal ports available: Richards Bay Coal Terminal (RBCT), which can presently handle 44-million tons a year; Durban, three million tons, and Maputo, one million tons.

A R3-mil'on upgrading project is under way at RBCT to expand its coal handling capacity by nine million tons Hawarden estimates a coal price of $38,31 a ton will make this expansion to 54-million tons a year viable To expand profitably South Africa's exports to 80-million tons, the price would have to reach $44,46 a ton.

Most countries consume their coal Of the 3,5-billion tons of coal produced world-wide annually, only about one percent is put on the international market For instance, China — the world's biggest coal producer at 950-million tons in 1988, according to the Chamber of Mines — only exported about 16-million tons.

For Australia, South Africa and Columbia coal is a vital export commodity and competition is fierce Although Australia produces less coal than South Africa, it manages to be the world's largest coal dealer by exporting two-thirds of the 137-million tons it mines Columbia exports about 85 percent of the 16-million tons it produces South Africa exports about one-quarter of the 178 tons of coal it produces a year

Wage talks deadlocked (215

■ National wage talks between the Chemical Workers' Industrial Union (CWIU) and PG Glass Holdings, covering 1 500 workers in 60 workplaces countrywide, have reached deadlock, according to the CWIU.

The dispute, which hinges on union demands for a 22 percent increase, is to be referred to mediation next month. W/Mail 14/12-19/12/90

Reports from Weekly Mail staff, Sapa

CHARTER FM 14/12/90 (215)

CASH CUSHION

Acquisitions are keeping Charter Consolidated's earnings afloat, even if only just, as its main markets slow down, or even fall, and sterling's strength hits exports Interim figures (to September) released in London this week show pre-tax profits up 7,5% (against 12% for the previous full year) to £41,4m.

Net of discontinued businesses, the increase was a healthier 10%. And with group

FM 14/12/90 (215)

net cash built up by £23m to £113m — though capex and net acquisitions totalled £40m — Charter is raising the interim dividend by 7,7% to 7p a share Given the state of the UK construction market and the halving of orders for mining equipment by British Coal, a creditable performance.

But below-the-line earnings were sullied by higher tax charges (30% against 26%), leaving net equity earnings less than 1% up at £25,8m or 24,4p a share. The London price drooped 3p to 433p on the news.

Charter continues to present a moving target around four core divisions — Pandrol (rail track equipment), CAST (quarrying, concrete and coal mining), Anderson (mining machinery) and 67%-owned Cape (building products and services) The 38% of precious metal and platinum fabricator Johnson Matthey remains passive but contributed 39% of equity-accounted operating profits

The headline figures of operating subsidiaries — turnover up 23% to £235,6m and trading profits 31% better — mask the impact of £76m spent last year on acquisitions.

Anderson was hit by British Coal's improved husbandry of inventories. Sales fell £7m to £58,3m. With margins down from 4,9% to 2,2%, profits slumped 59% to £1,3m

Charter CE Jeffrey Herbert says Anderson is trimming (the work force has been cut by 35%) and hopes to firm up orders from the Soviet Union's and Polish hard coal mining industries in 1991 — once financing is in place The US National Mine Service subsidiary is going well, with profits up 24%.

Net of Anderson the figures show much more rapid growth: sales up 39% and profits 58% Overall £4,2m of the £6,7m profit gain came from takeovers

The star is Pandrol, which derives 90% of sales abroad. It almost doubled in size last year with turnover up 84% to £43,8m and profits 152% better at £6,3m as margins widened by 3,5 points to 14% CAST's acquisitions lifted sales 50% to £37m, generating a 70% profit improvement to £1,7m — again on improved, if slim, margins of 4,6%

Cape, however, saw margins static and may suffer next year if estimates that UK commercial building will fall 30% are borne out The Gulf crisis also forced Cape to suspend contracts in the region But its expansion, chiefly into Europe, produced a 24% climb to sales of £97m, matched almost exactly by profits at £8,8m

Cash — which boosted net interest by

FOX

FM 14/12/90 (215)

£900 000 to £9,1m — came from "family" deals. It raised £60m by selling more Minorco shares (the original 3,8% holding is now down to 1,1%), the Beralt tungsten interest to Minorco for £11m and its Holborn HQ for £20m (a profit of £17m) to Diamond Trading — already linked by a bridge to the back half — which perhaps needs more space to sort all the Soviet diamonds coming its way.

Cash gives a cushion against the vagaries of the international slowdown plus ammunition to pick up the cheap assets which will undoubtedly surface in the next 12 months. Surprisingly, however, Charter does not rate as a favourite among SA rand-hedge stocks: only about 7m shares are held on the Johannesburg register, or 6,7%, most by Sanlam and Liberty Life

John Cavill

CHARTER FM 14/12/90 (215)

CASH CUSHION

Acquisitions are keeping Charter Consolidated's earnings afloat, even if only just, as its main markets slow down, or even fall, and sterling's strength hits exports. Interim figures (to September) released in London this week show pre-tax profits up 7,5% (against 12% for the previous full year) to £41,4m

Net of discontinued businesses, the increase was a healthier 10%. And with group

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net cash built up by £23m to £113m — though capex and net acquisitions totalled £40m — Charter is raising the interim dividend by 7,7% to 7p a share. Given the state of the UK construction market and the halving of orders for mining equipment by British Coal, a creditable performance.

But below-the-line earnings were sullied by higher tax charges (30% against 26%), leaving net equity earnings less than 1% up at £25,8m or 24,4p a share. The London price drooped 3p to 433p on the news.

Charter continues to present a moving target around four core divisions — Pandrol (rail track equipment), CAST (quarrying, concrete and coal mining), Anderson (mining machinery) and 67%-owned Cape (building products and services). The 38% of precious metal and platinum fabricator Johnson Matthey remains passive but contributed 39% of equity-accounted operating profits.

The headline figures of operating subsidiaries — turnover up 23% to £235,6m and trading profits 31% better — mask the impact of £76m spent last year on acquisitions

Anderson was hit by British Coal's improved husbandry of inventories. Sales fell £7m to £58,3m. With margins down from 4,9% to 2,2%, profits slumped 59% to £1,3m

Charter CE Jeffrey Herbert says Anderson is trimming (the work force has been cut by 35%) and hopes to firm up orders from the Soviet Union's and Polish hard coal mining industries in 1991 — once financing is in place. The US National Mine Service subsidiary is going well, with profits up 24%

Net of Anderson the figures show much more rapid growth: sales up 39% and profits 58%. Overall £4,2m of the £6,7m profit gain came from takeovers.

The star is Pandrol, which derives 90% of sales abroad. It almost doubled in size last year with turnover up 84% to £43,8m and profits 152% better at £6,3m as margins widened by 3,5 points to 14% CAST's acquisitions lifted sales 50% to £37m, generating a 70% profit improvement to £1,7m — again on improved, if slim, margins of 4,6%.

Cape, however, saw margins static and may suffer next year if estimates that UK commercial building will fall 30% are borne out. The Gulf crisis also forced Cape to suspend contracts in the region. But its expansion, chiefly into Europe, produced a 24% climb to sales of £97m, matched almost exactly by profits at £8,8m.

Cash — which boosted net interest by

(215) (122)

R6-m to put out coal fire

Star 19/12/90

The Government has set aside R6 million to combat the underground fire in the abandoned Witspan Colliery at Witbank.

In a statement released yesterday, Mineral and Energy Affairs Minister Dr Dawie de Villiers said the fire was endangering the Maputo railway line and could spread over a larger area.

The fire has been investigated by a task group which recommended that as an emergency measure, a 200 m-deep trench be dug and filled with non-combustible material to prevent the fire spreading.

The statement said the spontaneous combustion of certain coal types created a danger of underground fires in certain abandoned mines.

Mines and Works Regulations were amended on December 10 to allow the authorities to deal with such situations. — Sapa

Room for 1 200 at new open school

B Day 19/12/90

THEO RAWANA

A NEW multiracial private school is to open in Johannesburg in January with an enrolment of 1 200.

Several blue chip companies, including Gencor, Southern Life and other private individuals had pledged support for Somerset School, which was to offer classes from Standard 1 to Standard 10, the school's education director Norris Barker said yesterday.

Principal Andre de Meyer said initial expenditure on the school, situated at 18/20 Juta Street, Braamfontein, was R250 000. The cost of renovating the site would be between R800 000 and R1m.

Teachers

Companies had pledged to sponsor the fully equipped library, the computer system, laboratory and other facilities such as the swimming pool, he said

The teaching staff complement would be 40.

Examinations would be under the Joint Matriculation Board

"With 40 highly qualified teaching staff, the students will be getting a high standard of tuition," Barker said.

Fees would be R3 300 a year for the first child, R2 640 for the second child and R2 200 for the third child.

Fees for grades I and II would be R2 600 a child.

The amounts cover all textbooks. Pupils pay for stationery.

Barker said "The school will offer English, Afrikaans, vernacular, mathematics, science, biology, history, geography, business economics and economics.

"European languages (French and German) will be taught, provided pupils start at Standard 6"

Other schools De Meyer is running in Johannesburg are Kent Academy of Management, which caters for tertiary education, and its secretarial arm Conquest College.

"In May 1990 one of our students achieved overall first place in the Chartered Institute of Secretaries and Administrators (CIS) examination.

"Our results in the Chartered Institute of Management Accountants (CMA) examinations have been between twice and three times the world average," De Meyer said.

The school opens on January 16

Govt approves R6m scheme to put out eight-year-old mine fire

MATTHEW CURTIN

GOVERNMENT gave the go-ahead yesterday for a R6m scheme to fight a fire which has raged underground for eight years at an abandoned colliery near Witbank, Mineral and Energy Affairs Minister Dawie de Villiers said.

De Villiers said in a statement conditions of civil emergency existed in the area around the Uitspan colliery as the fire threatened to spread to a "much larger area".

Consulting engineer Johan Wagner, in charge of the firefighting investigation, said the task of containing the fire was highly complex.

The fire was blazing in a 25ha section underground and had spread because of a drop in the water table allowing more air into the shafts.

It threatened concrete plugs designed to seal off the mine and keep the water level high

If subsidence or other events opened up the mine, firefighters would face a "1 000 degree inferno", he said.

He said the blaze, as well as presenting the risk of water and air pollution, also threatened remaining rich coal deposits, a level of clay above the mine used for brickmaking and the railway line

Wagner said phase one of the plan to control the fire was to dig out the remaining combustible coal seam, and then fill the resulting 200m long and 25m deep trench with inert material — clay and soil

Phase two would see the extension of the trench around the 40ha area immediately at risk Without fresh air and combustible material, the fire could not spread any further

He said the problem at Uitspan was indicative of a potential threat to the whole of the eastern Transvaal region. Spontaneous combustion was likely as soon as the water table dropped and oxidation increased, a phenomenon it was impossible to safeguard against in mine design

(215)

A Mining Department spokesman said the Uitspan mine was abandoned in the 1920s The process of blasting sandstone outside the shafts and shifting the material in digging the trench was an expensive operation, he said

Witbank Town Secretary Philip Barnkoorn said the fire had started in the early 1980s

The town council was in the process of fighting a court case brought by a local mining company, brickworks and landowner claiming fire damage to their property

FM 21/12/90 (215)

COAL

FREEING EXPORTS

The long process of deregulating the export of coal, which began 20 years ago, may finally be completed soon Government still retains the right to limit the exports of individual mines, and require export permits, but those restrictions would be scrapped under the recent recommendations of the National Energy Council's Coal Advisory Committee There's no word yet on when government will act.

However, total deregulation, if government decides to take that path, won't build the infrastructure nor create the markets necessary for an overnight leap in exports

Only two harbours can handle coal exports — Richards Bay, which is already operating at peak capacity, and Durban, which can handle only another 2 Mt a year.

Cape harbours can't be used because they are not deep enough to accommodate very large vessels when loaded and the cost of railing coal there is prohibitive, according to the council's Robin Stoutjesdyk.

In any event, the coal market is soft. A drastic increase in exports would lower the price of SA coal on the world market

"We must be careful we don't overdo things," says a spokesman for Rand Mines, a shareholder in the Richards Bay Coal Terminal Co. "If we push too much into the stream, we'll bring prices crashing down"

"You can't simply bump up exports," says André van Rooyen, chairman of the Durban Coal Terminal Co. "A lot of coal remains stockpiled because of warmer European winters."

Durban can handle a maximum of 4,4 Mt of coal a year but only 2,8 Mt was exported through the port in the year ended March 31 This is expected to drop to 2,4 Mt in the current fiscal year and rise by a modest 70 000 t in fiscal 1992

One factor that limits how much coal SA can export is the preference of foreign buyers for geographic diversity — they spread their coal purchases among SA, Australia, South America and other sources to ensure a continuous supply in case of work stoppages in any one country, according to the Rand Mines spokesman.

Large-scale coal exports were prohibited until 1970 because, with SA's lack of substantial sources of oil, gas and hydro-electric power, government regarded coal as a strategically important resource that had to be reserved for the domestic economy, according to a report by Michael Hawarden, chairman of the base metals division of Johannesburg Consolidated Investment

Government began allowing annual exports of up to 12 Mt in 1970 and raised that figure several times until it reached 80 Mt in

FM 21/12/90 (215)

1982, far beyond what SA has ever been able to export (SA shipped 47 Mt last year, making it the third largest exporter after Australia and the US)

More deregulation came in 1986 when collieries were allowed to set their own domestic prices and the old Transvaal Coal Owners' Association was disbanded

Some companies may oppose this recommended final step, predicts Deputy Minister of Energy Affairs Piet Welgemoed, because the industry will become more competitive

Will SA ever export 80 Mt a year? Hawarden's conclusion is no, but he believes exports can easily be expanded to 53 Mt a year, and possibly reach as high as 64 Mt a year, but no higher.

The export facilities at Richards Bay can handle 44 Mt a year now and are being expanded to handle 53 Mt a year by 1992 They will probably be able to handle more, "but we won't know how much more until we try," says Chris Crampton, a spokesman for the terminal.

Railways has already the capacity to keep Richards Bay more than busy. "We are running at an annualised 46 Mt now and can step that up," says Hannes Venter, assistant GM-rolling stock procurement.

Coal mines . *chipping away at regulation*

"We have added a few thousand jumbo trucks, which can each carry 26 t more than the older trucks, and we have another 1 200 jumbos on order for delivery in the next four to five years

"We are also modifying the braking systems of a number of electric locomotives so that we can operate more trains"

Green Bonus

Rising costs in Colombian, Venezuelan and Indonesian mines will spur SA exports, as will the erosion of sanctions. Also, SA coal is low in sulphur, a growing attraction in countries where the greenhouse effect is a serious issue.

New technology is also allowing steelmakers to use SA's relatively cheap steam coal instead of the more expensive metallurgical coal mined in the US and Australia

The outlook for export profits does not match the bright prospects for expanded volumes

Kevin Kartun, a coal analyst with Frankel

FM 21/12/90 (215)

Max Pollak & Vinderine, says the profit on exported coal in 1986, a good year, was 35%. But this dropped to 3% in 1987 and 1988, when the rand strengthened and rail tariffs were increased sharply

Margins rose to 23% last year, due to a weaker rand, a firmer coal price and moderate railage increases, but he says lower prices due to oversupply squeezed profits this year and will continue to do so next year.

However, as sanctions are lifted, the mines will stop granting buyers the \$2/t-\$3/t political discount ■

MINING — COAL

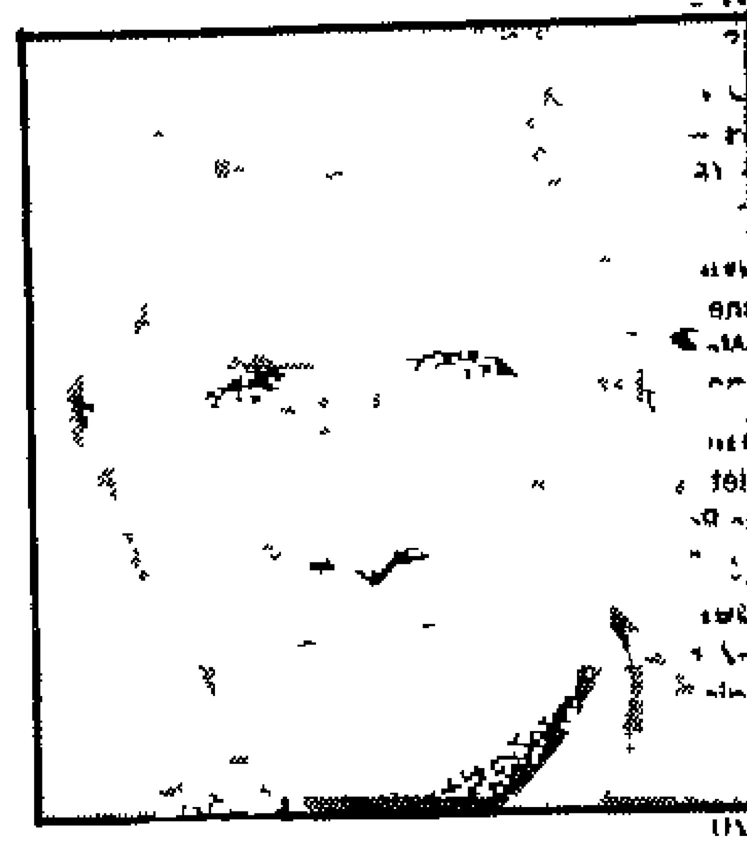
1991

Minimal increase in coal exports forecast for year

OUTLOOK '91

Star 9/1/91 215

By Allen Sealey, deputy chairman of Rand Mines and chairman of its coal division.



While there will not be any surge in coal exports this year export tonnages could rise by three percent accompanied by a modest price increase

The fact is that most European countries are not applying sanctions on coal — other than Denmark, France and possibly some Scandanavian countries whom, in any event, we have never supplied.

The lifting of sanctions will, therefore, provide us with the opportunity to resume our exports to Denmark and France

The Danish market could probably absorb anything up to 3,5 million tons, which is the level of tonnage that we were supplying before

Since sanctions were imposed other new producers — such as Colombia, Venezuela and Indonesia — have become suppliers to the Danish market

The French market has, in the meantime, declined and, in fact, was falling sharply at the time sanctions were imposed

Even if we negotiate a fair slice of that business again, it is not going to result in a significant increase in total exports to that country.

Restricted

The quantity of coal exported to Japan has been restricted to the levels reached before sanctions. The lifting of sanctions will probably result in increased tonnages being exported.

All in all, South Africa's current share of the sea-borne steam coal market is of the order of 30 percent, so that the removal of sanctions is not likely to result in an immediate substantial increase in export tonnages over the short term

In the medium to longer term, with the opening up of eastern bloc countries, their needs for energy could become substantial and the potential for coal import could be considerable.

South African exporters should be able to secure a share in these new markets

Increased power generation in that region is likely to be achieved through the use of coal and natural gas.

But it should be borne in mind that the lead time for the erection of new power stations is some three years at least.

Mr Sealey also cautions that the greater demand for coal will, to some extent, be met by the new production capacity in Indonesia, Venezuela and Colombia.

Australia's coal industry, having become leaner and more productive, is also a potential supplier

"The present evenly balanced supply and demand situation is not likely to lead to a sharp increase in prices

"Furthermore, the effect of the higher oil price will undoubtedly be a long term rather than a short term factor, and we should not look to coal price rises in the short term"

Heartening

Referring to South African production costs, Mr Sealey says these are continuing to rise at rates higher than other coal producing countries, with the result that the competitiveness of coal exports will decline

"With the prices for coal exports not increasing to any great extent — relative to the increase in production costs — profit margins could be reduced"

One heartening factor is that the South African coal industry will not be seeking massive capital to develop new mines.

"Any growth in exports this year can still be met by brownfields expansion rather than greenfields development.

"But, obviously, in the future greenfields capacity will have to be commissioned

"The coal export industry has gone ahead with expansion at Richards Bay Coal Terminal and will be able to take advantage of any increase in the world sea-borne steam coal market."

On the domestic front, Mr Sealey says the stagnation experienced for some years largely as a result of the political climate has had an impact on the levels of coal demand by the industrial sector and by Eskom.

"Eskom has had very little growth in its electricity demand over the past year

"It recently announced cutbacks or mothballing at three Eastern Transvaal power stations.

"Eskom may have to take further action and we are not sure what effect this will have."

Witbank Colliery to cut planned capex by R70m

B/Day 10/1/91 (215)

PETER GALLI

WITBANK Colliery would cut its planned capital expenditure by R70m during the current financial year, chairman Allen Sealey said at yesterday's AGM.

This was the result of the cancellation or rescheduling of certain capital expenditure projects following an extensive review of the mining plans of contiguous properties in the Witbank area

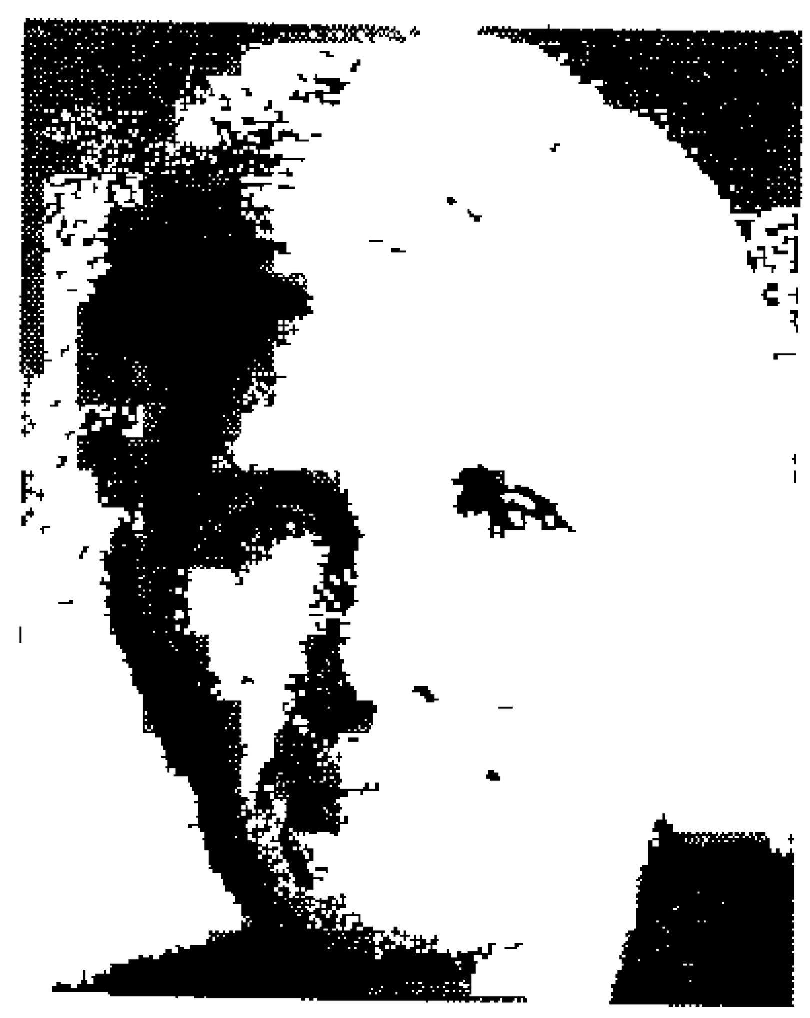
The company's last annual report, issued in mid-November last year, showed planned capex for 1991 of R255,5m.

In an interview yesterday, Sealey said while the group had treated the coal mined at each of its different collieries in the Witbank area, it would now try to centralise treatment as far as possible.

He said the treatment of coal by individual plants had resulted in some plants being under-utilised and others having to be expanded at great cost Coal from some of the areas would be transported by conveyors to a central location.

This would eliminate the need to expand some existing coal preparation plants and, as it would be cheaper to transport the coal, would result in capital expenditure savings.

Witbank was hoping to regain the markets it had lost as a result of sanctions, but whether pre-sanctions export levels could be regained remained to be seen.



● SEALEY

Sealey was confident that Denmark, a large buyer lost to the sanctions drive, would be regained. A war in the Gulf would have little effect on the coal price in the short-term, but if protracted would see the coal price climb in line with the oil price.

Witbank's tonnages would be higher this year as the acquisition of Middelburg Mine had been effective for a full year and throughput from Richards Bay Coal Terminal had increased.

Proposed deregulation of the export coal market would be more beneficial to the smaller producer, Sealey said. However, there was the question of where the small producer would export from.

The Durban terminal could increase its output, but producers would have to invest in this themselves, he said

Lifting sanctions would have a far greater effect on the large producer than the deregulation of the export market would.

Long-term prospects for SA's coal industry appeared good, with coal safe as an energy source for at least 40 years, he said.

Natural gas was the greatest threat to coal as it was freely available, more environment-friendly and cost competitive.

A priority for the industry was to develop ways of minimising the effect of coal consumption on the environment

The rationale for the move away from publishing quarterly results to interim and preliminary reports announced this week was that this was more in line with the industry.

The 1991 interim and preliminary reports would be published in mid-April and mid-October respectively

In the year to end-September, Witbank increased its turnover from R796m to R1,1bn and its working profits from R174m to R240m. Taxed profits for the year were about R30m up at R193,2m.

Witbank cuts back capex

(215)

Witbank Colliery would reduce its planned capital expenditure this year by R70 million, chairman Allen Sealey told shareholders at the AGM yesterday

The last annual report showed planned capital expenditure for 1991 of R255,5 million

Star 10/11/91

"Since issuing the annual financial statements, an extensive review of the mining plans of the group's contiguous properties in the Witbank area has been completed. As a result, certain capital projects have been cancelled or rescheduled," Mr Sealey said. — Sapa.

RAND MINES FM 11|1|91

PAINFUL YEAR

(215)

For Rand Mines' staff and shareholders the 1990 year was a nightmare and there's more trouble to come in 1991 as the group faces

FM 11|1|91 (215)

Activities: *Mining house with major investments in coal, gold, platinum, base minerals, property and forestry*
Control: *Barlow Rand 74,4%*
Chairman and MD: *D T Watt*
Capital structure: *14,9m ords. Market capitalisation R894m*
Share market: *Price· R60. Yields: 9,3% on dividend; 26,5% on earnings, p:e ratio, 3,8, cover, 2,8 12-month high, R117; low, R60. Trading volume last quarter, 35 760 shares.*

Year to Sep	'87	'88	'89	'90
Investments.				
Book value (Rm)	204	371	242	221
Market value (Rm)	671	611	507	506
Attrib profit (Rm)	154	165	216	226
Earnings (c)	1 369	1 467	1 929	1 592
Dividends (c)	435	450	560	560
Net worth (R)	112,7	88,1	97,6	98,2

that anathema for a mining house — a cut dividend

Conventional investment wisdom is that mining houses are not supposed to cut dividends They either diversify their interests to balance the flows of income from their various cyclical businesses like Anglo American Corp or, like Gold Fields of SA, they follow a tight financial policy, holding back funds in the good times to maintain dividends in the rough years.

Rand Mines does not have that financial strength and its recent attempts at diversification have yet to pay off. Markets for the house's one trump card, coal, have temporarily weakened, resulting in chairman Dammy Watt's prediction that profit from coal will also drop in 1991, despite a full year's contribution from the new acquisition, Middelburg Colliery

Much went wrong during 1990 The dismal ERPM saga continued while two new mines, Vansa Vanadium and Barbrook gold mine had to be closed, while gold output from the flagship gold producer Harmony was cut by a fifth in an attempt to restore profitability Barplat's Crocodile River platinum mine hit full first-phase production five months behind schedule, putting further financial strain on Barplats and halting progress at Kennedy's Vale mine.

The only sector to perform well was coal, which contributed R163m — 72% — of group attributable earnings Coal earnings were 15,2% up on the R142m earned in 1989, thanks to better coal export prices and nine months' contribution to earnings from Middelburg Colliery But higher coal revenues were hit by the interest charges on loans the group raised to buy its stake in Middelburg.

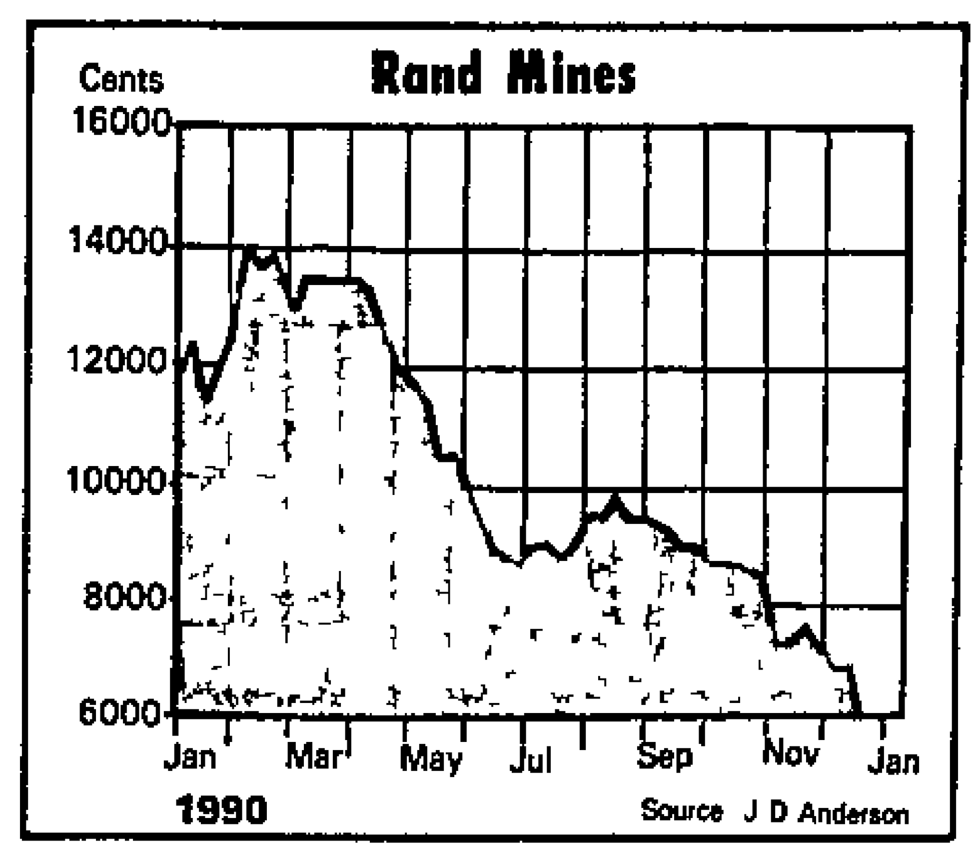
Middelburg contributes for a full year in 1991, but the coal market has softened with an oversupply of product coming mainly from Australian producers. Coal consumers have taken full advantage to dig in their heels on price negotiations for 1991 delivery. Price negotiations are still under way with many customers, but it appears SA companies are being forced to settle for increases ranging from 1%-4% above last year's prices around US$31/t.

A stable rand means there is no, or little, compensation from this source for the mining companies where costs are still rising at the inflation rate or faster Watt reckons coal earnings will drop despite additional profit from Middelburg.

Barlow Rand cannot be too happy about the situation as Rand Mines contributes a fifth of Barlow's attributable earnings. Barlow chairman designate Warren Clewlow says. "Prospects for the mining division in its present form and under present world precious metal and commodity market conditions are not favourable. The entire asset portfolio of Rand Mines is being reviewed and it can be expected the cash position of the division will be strengthened by disposal of underperforming assets and non-core businesses"

The Rand Mines report shows the group has sold 20% of its 5m shares in Harmony, as well as smaller proportions of its stakes in Durban Deep and ERPM. Watt says the group is still overexposed to marginal gold mines, so the disinvestment programme will continue.

The market has knocked the share price down to R60 from R72,50 a month ago That compares with the 12-month high of R117 The historical dividend yield of 9,3% is more than double the sector average, reflecting the cut to come and Rand Mines' poor rating



against the other mining houses

However, at these levels the share may be worth buying if you are prepared to take the risk of investing in a trough in anticipation of better times Recovery could come in 1992 through an improvement in the coal market, where the SA exporters stand to gain from the lifting of sanctions, which would remove the political discount on their prices.

Brendan Ryan

UK utility in breakthrough coal deal with SA

Biday 15/1/91

JOHN CAVILL

LONDON — Northern Ireland Electricity (NIE) is importing 50 000 tons of SA coal, the first to be bought by a UK utility for 20 years.

An NIE spokesman in Belfast yesterday said half the coal had already arrived and a second cargo was on its way from Richards Bay.

He refused to confirm a report in the International Coal Report that the NIE was paying $44,50 per ton cif to Shell Coal International — which is at least 30% less than its usual supplies from a Scottish open-cast mine.

The SA coal is being imported on a trial basis to be used in NIE's oldest all-coal 230MW generating station. NIE has also bought 250 000 tons of Colombian coal on trial for its dual oil-coal 1200MW plant for which the SA fuel is not suitable.

NIE has capacity of 2400MW — against peak demand of 1350MW at present — and it is dominated by oil-fired stations. As such its costs have been badly hit by the steep rise in the price of heavy fuel oil, from $62 a ton (cif Rotterdam) to $142 a ton — equivalent to $94 a ton for coal.

Its supplies of UK coal are geared to oil prices, so these have also risen. (215)

The NIE's normal annual coal consumption is about 1,2-million tons which could rise to 1,5-million if the dual-fuel power station is switched from oil.

"We are a small utility, totally independent and not linked to the UK power grid. We've had to try to lower our costs for the sake of consumers," the NIE spokesman said.

"So we have decided to have trials with Australian, Colombian, South African and American coal," he said.

"The purpose of the trial is to determine

□ To Page 2

SA coal

Biday 15/1/91. (215)

□ From Page 1

the suitability — calorific value and ash content — of the SA coal which will be used only at our 50-year-old 230MW station. We have had problems with the first shipment so we have changed the specification for the second which is now on the water."

The International Coal Report said that although UK power companies had refused to buy SA coal until now, it had been imported into Britain.

"Dutch" coal, which is SA fuel imported from Rotterdam, has frequently been blended with the output of British private sector collieries and "passed off as a UK product," it said.

Further inroads by SA will add to the problems faced by British Coal as the privatised UK power generators step up imports.

Last week British Coal started anti-dumping action against sales from several countries, although not any from SA.

With deep mine coal costing £42/t ($80/t), the biggest UK generator, Powergen is set to increase imports by 50% this year — mainly from Australia. Both Powergen and National Power, the other main generator, are jointly investing in a new importing terminal.

UK breaks ban on SA coal

Sowetan 15/1/91

215

LONDON - Britain's electricity industry has bought coal from South Africa for the first time since the country was isolated by the world community.

AROUND THE WORLD

Northern Ireland Electricity has bought a shipment of 27 000 tons from the terminal at Richards Bay, via Shell Coal International. A second similar shipment for NIE is also on its way to Belfast.

This is a blow to British Coal, which until recently has had a near-monopoly on supplies of coal to the British electricity market.

Although it is not illegal to import South African coal into Britain as it is in Denmark and the United States, British power companies have for the past 20 years refused to accept it.

However, "Dutch" coal - privately mined in Britain and blended with South African imports - has been passed off by suppliers as a British product.

Report

Details of the two shipments are contained in yesterday's issue of *International Coal Report*, a *Financial Times* newsletter, which also reports a sudden expansion of NIE imports as a result of Britain's entry into the European exchange rate mechanism.

This has made dollar-denominated coal imports extremely competitive.

The South African move into the fast-growing British coal market comes as countries which have formerly placed restrictions on purchases from South Africa are reviewing their policies.

The price paid by NIE for its South African imports is understood to be about R116,50 a ton, compared with R159,50 a ton paid by NIE for British coal. - *Sowetan Correspondant*

Duiker has hopes for anthracite

LIZ ROUSE

ANTHRACITE producers might be able to recommence operations if world supplies and stocks were reduced, Duiker Exploration chairman Terry Wilkinson said in his latest annual review.

He said the planned closer ties within the EC might see subsidies to anthracite producers in Europe and Britain being significantly reduced, which would lead to reduced supplies and stocks.

Prices should improve, enabling South African anthracite producers to recommence operations, he said. Bday 17/1/91

Steam coal exporters had shown confidence in long-term prospects by deciding to refurbish and upgrade Richards Bay Coal Terminal to an annual capacity of 53-million tons at a cost of R316m. 215

Positive

In common with the SA gold industry as a whole, operations at Erfdeel had been subjected to increasing pressures from the combination of rising costs and a static rand gold price.

However, long-term prospects for gold were positive and Duiker would benefit from its investment in Erfdeel in time, Wilkinson said.

Capital expenditure on Erfdeel to date totals R927,7m and by utilising the Freegold tax shield Eastgold loans have been held to R236m. Duiker's contribution amounts to R75m.

Drilling continued in the Joint Venture area (in which Duiker has an effective 25,8% interest) adjoining the northern section of Freegold with encouraging results, not only in the basal reef, but also in the B reef.

Coal export plan endorsed

(215)

PETER GALLI

MOST coal producers have endorsed government's proposals to deregulate exports, chairman of the Coal Advisory Committee Dave Rankin said yesterday.

The committee was asked by government to advise on the possible scrapping of export restrictions and quotas introduced several years ago when the government believed SA's coal resources needed to be conserved.

Rankin said deregulation would neither advance nor retard the construction of a second coal export terminal at Richards Bay or elsewhere.

Analysts were confident that the proposed deregulation of the export market would be advantageous in the long term, but they could see little benefit in the short term. B/Day 23/1/91

Fergusson Brothers analyst Derek Ritchie said deregulation would be a positive development as it would put an end to the export quota system and make SA coal more competitive abroad.

He pointed out that an immediate increase in exports was impossible. Expansion of the capacity of the Richards Bay terminal to 53-million tons a year would be completed in only three or four years while exports through Maputo remained problematic.

The Durban facility was also being expanded but was limited and could not handle more than 5-million tons a year, Ritchie said. "The export market is fairly well supplied at the moment, so there is no real demand for greater SA exports. The US has the potential to boost coal exports from 90-million tons at present to more than 300-million tons, with other exporters such as China and Indonesia entering the market," he said.

ANIES

Middelburg Colliery puts Rand Mines in top spot

BDay 24/1/90 (215)

ROBERT LAING

RAND Mines' acquisition of the 5,5-million ton Middelburg Colliery made it SA's biggest coal exporter in 1990 and entitled it to just under a quarter of the Richards Bay Coal Terminal's 44-million tons annual capacity

Coal sales to Europe and the Far East generated R750m in foreign exchange for the group last year, Rand Mines coal marketing director Rob Turner said yesterday.

This represented 20,8% of SA's total coal exports for the year, at R3,61bn.

If JCI's 40% share of Middelburg's tonnage is included in the total amount, Rand Mines' exported almost 11-million tons Turner said

The Minerals Bureau provisionally estimated SA's total 1990 sales to be 46,1-million tons, fractionally lower than 1989's 46,8-million tons

The group doubled its export coal production at the end of 1989 after its subsidiary Douglas Colliery got together with JCI's Tavistock Collieries in a R544m purchase of oil company BP's 88,5% share of Middelburg mine

Douglas is wholly owned by Rand Mines' 71% subsidiary Witbank Colliery and owns 60% of Middelburg which exports approximately 5,5-million tons a year

UIKER EXPLORATION (215)

VHAT HAPPENED? FM 25/1/91

tivities: *Mining company with interests in al, anthracite and gold operations*
ntrol: *Lonrho Plc through WP Investments ,6%) and Tweefontein (22,2%)*
irman and MD: *T A Wilkinson, WPH*
pital structure: *4,4m ords Market capitaltion R40m*
re market: *Price 770c Yields 3,9% on idend, 9,9% on earnings, p e ratio, 10,1, er, 2,5 12-month high, 1 350c, low, 760c ding volume last quarter, 13 000 shares*

r to Sep	'87	'88	'89	'90
ıover (Rm)	89	98	138	141
Operating profit (Rm)	8,7	13,5	35,3	22,9
Taxed profit	4,3	7,6	17,9	11,0
Earnings (c)	30,6	53,3	124,5	76,3
Dividends (c)	30	15	25	30
Net worth (c)	734	790	791	936

Shareholders asking that question after Duiker's mere 2% increase in turnover and 41% drop in pre-tax income — despite a 26% increase in steam coal sales to 4,8 Mt

Duiker's Wilkinson .. *concentrating on domestic market*

(3,8 Mt) — will not find the answer in the annual review.

In fact, the main point to come out of the 1990 accounts is that Duiker should improve its reporting standards because, while chairman Terence Wilkinson has explanations for the results, these were not spelt out in the report. One can easily reach conclusions which appear entirely logical, given the published information, but which are incorrect, according to Wilkinson

On the face of it, Wilkinson's comments on the coal market are at odds with the rest of the industry He says steam coal prices remained unchanged in US dollar terms throughout 1990, but Witbank Colliery chairman Allen Sealey told his shareholders dollar prices were higher in 1990 than the previous year while the rand/dollar exchange rate was marginally weaker Witbank, which also has a September year-end, pushed attributable earnings up 15%.

Trans-Natal Coal chairman Brian Gilbertson, reporting for the year to end-June, said the average dollar price for export coal sales rose 11,5%. That, combined with the more favourable rand/dollar exchange rate, led to export revenues being 50% up on 1989 levels

That poses the question of just what sort of prices Duiker has been selling its coal

Wilkinson tells me it is unfair to compare Duiker with these companies for two reasons The first is that Duiker's export coal is very low-grade material whose markets are poor. The second is that the company last year swung away from exports to concentrate its efforts into the SA domestic market. He says Duiker lifted its tonnage of bituminous coal sold locally to 3,56 Mt in 1990, from 2,2 Mt the previous year Conditions in the local market last year were a lot tougher than on the export scene. This material information was not in the annual report

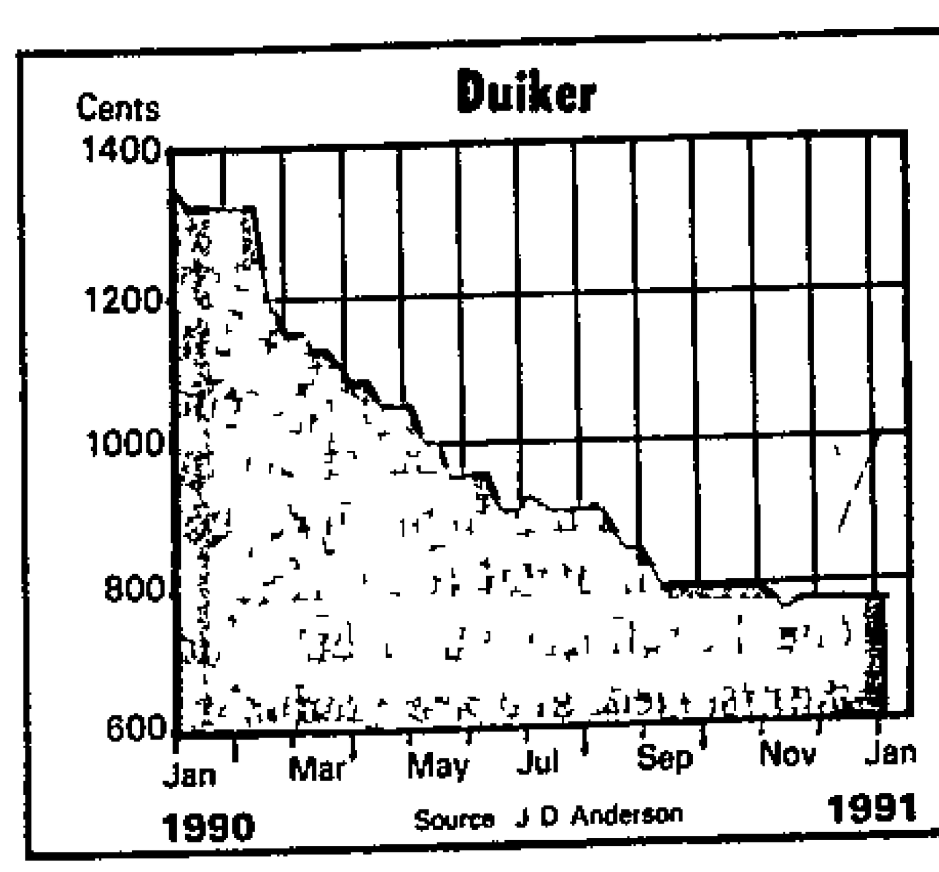
Hopefully, having taken it on the chin last year to shift emphasis and expand its presence locally, Duiker should do better financially this year.

Notes in different sections of the directors' report reveal that· "since the year-end, certain irregularities in the marketing of coal have been discovered and are under investigation" and that Barry Love resigned as a director on December 5.

Love was head of Duiker's coal division Wilkinson says Love's resignation was linked to the irregularities, but was in no way linked to the coal division's results for the 1990 year. He says there have been no adverse financial consequences for Duiker because of the irregularities.

On the gold side, the squeeze on profit margins affecting the industry has hit Duiker because of its effects on Freegold's Erfdeel section Duiker has a 36% stake in Eastern Gold Holdings, which, in turn, owns 85% of the Erfdeel section. Results for the December quarter show Erfdeel had a working loss of R1,7m, after a loss of R1,9m in the September quarter

Duiker's exposure to gold through Freegold via Erfdeel and its 25,5% stake in the potential extension north of Freegold has been one of the share's attractions. While that long-term attraction remains, it has



been tarnished in the short term because of Freegold's position as a marginal producer in an industry under financial siege now.

Despite the poor results, Duiker increased its dividend by taking a cut in dividend cover to 2,5, which Wilkinson says is "reasonable " The financial position has been improved by the curtailment of capital expenditure at Erfdeel and the group received a net loan refund of R10,1m during the year. Interest-bearing borrowings were reduced to R27,4m from R45,2m.

At 770c, Duiker is at its 12-month low, but given the outlook on gold and the group's poor performance on coal, there seems little reason to buy the share *Brendan Ryan*

Skimpy margins deter coal producers

B Day 28/1/91

(215) B Day 28/1/91

ROBERT LAING

LOCAL coal producers are bolstering their production capacity to meet their allocations as Richards Bay Coal Terminal's (RBCT's) export profile expands, but doubts exist as to whether prices will rise enough to make the project viable.

Through the development of RBCT, SA rose from nowhere in 1975 to surpass Poland as the world's third largest coal exporter in just 10 years In 1989 SA exported 46,7-million tons (mt) of coal with a free on board value of R3,6bn to Europe and the Far East, compared with 43,0mt worth R2,8bn in 1988 The provisional estimate for 1990 is 1% lower than the 1989 figure

A R316m programme is under way to increase RBCT's throughput to 53mt by 1994 from the present 46mt Michael Hawarden, Chamber of Mines' collieries committee chairman, recently calculated the coal price needed for RBCT to be profitable after its expansion was $38,31 (R99,51) a ton

This means prices for SA steam coal will have to rise by 23,6% over the next three years Amcoal said contracts negotiated so far this year had seen average prices rise marginally from $30 to $31, helped by the higher rand dollar exchange rate. Trans-Natal said prices agreed on were up by between 3% and 8%. The Gulf crisis has had a minimal effect on the industry.

Witbank's Rob Turner said because of cost pressure, SA producers wanted increases in price levels. "The political discount which has applied to our coal is obviously an area of concern, but with the market being in a balanced state there is clearly a difficulty in recovering all this ground"

SA coal commands a price of about $5 less a ton than its competitors

Quality

When sanctions were applied in 1986, countries still friendly to SA were offered discounts to increase their orders SA steam coal also generally contains less heat and more ash than its competitors' coal

An Amcoal spokesman said the group was not optimistic about export prices even if sanctions were lifted because of the quality of SA coal "Overseas power utilities will not pay the same price for our coal as they will for high-heat/low-ash coal from the US or Colombia"

Trans-Natal MD Mike Salamon believes the lifting of sanctions will gradually ease the pressure on local coal producers.

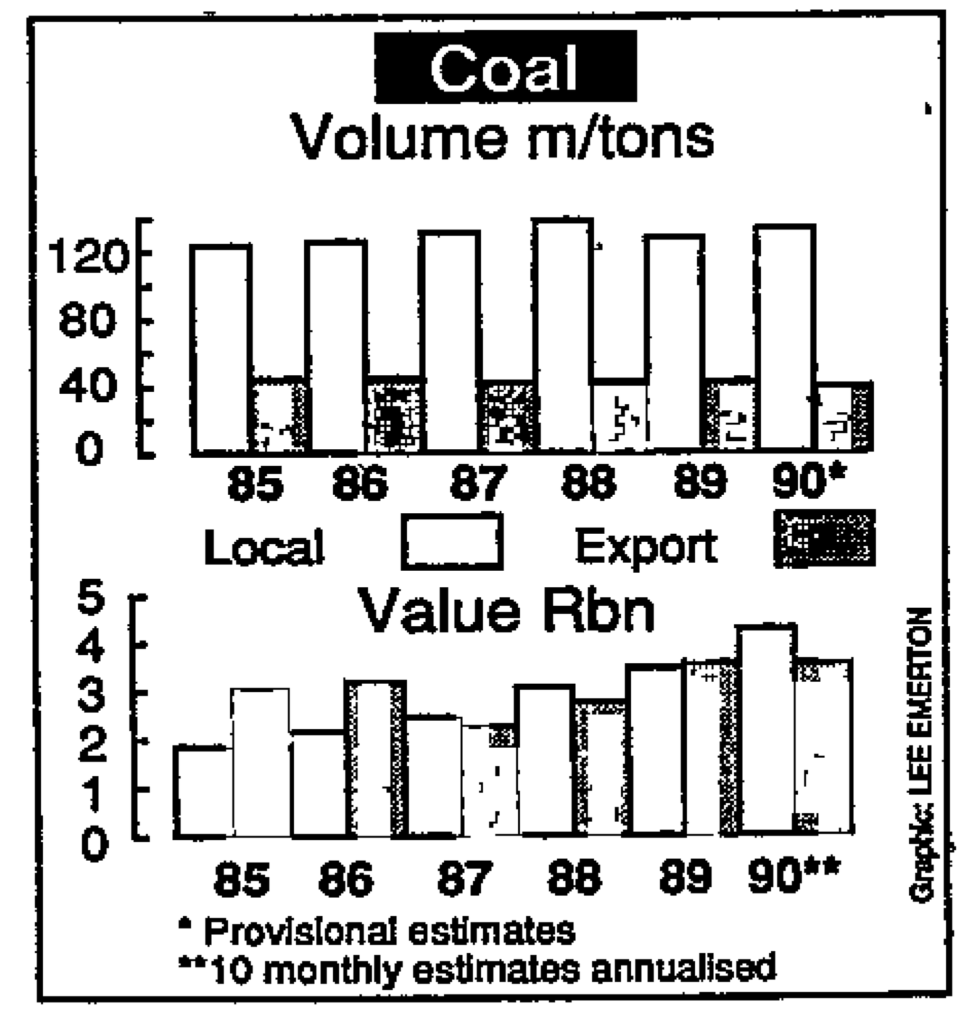
When sanctions bit in 1987, SA lost about a quarter of its traditional coal export market: 3mt to Denmark, 5mt to France and 1mt to the US Through swift marketing, export volumes were left almost untouched but prices were hit

Analysts say Israel, Spain, Hong Kong and Italy source as much as 60% of their power station coal requirements from SA To compensate them for the risk of supply disruption, coal is sold to them at a reduced rate.

Japan, not wanting to rely solely on Australian and US coal, placed a limit instead of a total sanction on SA coal imports. In effect it froze the dollar value of its imports from SA which meant that tonnage imports slid as prices rose Analysts say trans-shipping via Korea helped SA's direct sales to Japan, but the limit still hurt

Worst affected was Trans-Natal, which saw its exports to Japan drop from 2,4mt to 1,6mt in 1987, at the same time as its overall exports rose from 7mt to 10mt

"Potential new markets exist where local coal producers are expensive, like Britain and Germany. The British power industry's privatisation should create a demand of about 10mt a year.



But SA's share of this market will probably be negligible in the short term," Salamon said

Shell Coal International has already secured one sale of 50 000 tons of SA coal to Northern Ireland Utility but direct bulk sales to Britain are unlikely until it builds its own coal importing terminal. At present SA coal is trans-shipped through Rotterdam, Antwerp and Amsterdam.

Turner said the French and Danish markets might reopen to SA coal, but the Amcoal spokesman said these markets had found alternative supplies However, local coal producers were optimistic enough about future exports to initiate expansion projects

Rand Mines subsidiary Witbank Colliery overtook Amcoal as SA's biggest coal exporter when, in partnership with JCI's Tavistock Collieries, it acquired BP's Middelburg export colliery Rand Mines' entitlement through RBCT now stands at 11,1mt, nearly a quarter of the port's current capacity

Amcoal intends increasing its share to 12,6mt from 9,59mt a year It plans to source an extra 4mt of export coal a year for 30 years by exploiting Landau colliery.

Trans-Natal will increase its allocation to 11,2mt from 9,28mt

SA's coal export volume is currently as high as the existing infrastructure allows Government is considering deregulating coal exports

Allocations will change as follows after the terminal's upgrading to 53 mt is completed Amcoal's will be 24% (22%), Witbank's 20% (21%), Trans-Natal's 20% (21%), Shell 12% (13%), JCI 7% (8%), Total Oil 6% (6%) Smaller shareholders will have access to the remaining 10% (9%) of tonnage

Big boost for fruit, coal in EC move

CAPE TIMES 6/2/91

By CHRIS BATEMAN

CAPE fruitgrowers will be able to promote their products more aggressively in Europe and will increase planting following the European Community (EC) undertaking to lift sanctions.

The weekend EC promise, conditional on Parliament scrapping central apartheid legislation, does not affect local fruitgrowers directly, but benefits would nevertheless be "enormous", a Unifruco spokesman said

Fruit is not among the South African items targeted by the EC for sanctions

Mr Fred Meintjies, public relations head of Unifruco — the Cape's biggest exporter and private sector employer with 230 000 employees — said Friday's speech by President F W de Klerk would bring fresh impetus to the industry

Although Cape fruitgrowers had a century-old market in Europe, there had been a recent tendency by European buyers not to stock South African fruit This began changing after last year's watershed presidential speech

Mr De Klerk's latest announcements would "benefit the industry enormously", Mr Meintjies said "Our products will increasingly be traded in normal commercial conditions — last year alone we earned R1,3 billion in exports"

Unifruco still faced sanctions from the US, Canada and Scandinavian countries, but expected changes on these fronts "soon"

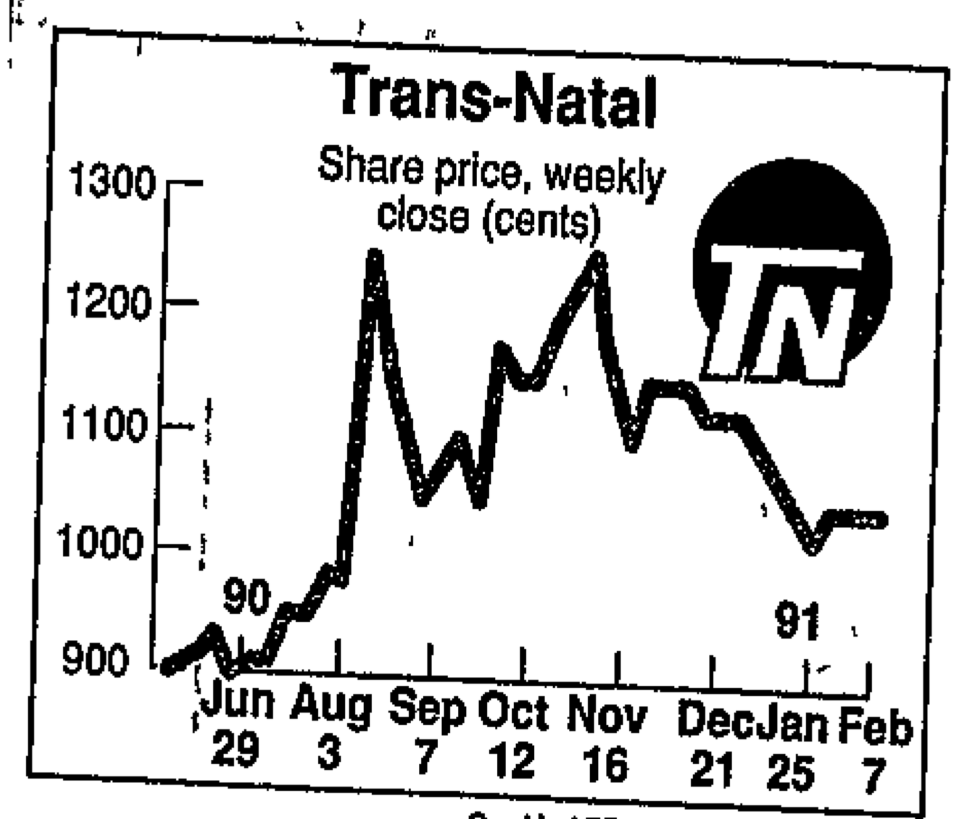
Mr Wim Holtes, chief executive officer of the SA Foreign Trade Organisation (Safto), said the EC announcement, combined with the Gulf war, could also have a positive affect on local harbours with income from refurbishment and shipping repairs.

The greatest impact, however, would be the lifting of EC sanctions on coal, which he expected to boost foreign earnings by up to R400 million a year.

This would also speed up commitment to develop harbours such as Richards Bay and Maputo, while colliers could push output up by over two million tons.

An Iscor spokesman said that Iscor would not increase capacity or exports, but the lifting of EC sanctions would increase "market and pricing flexibility" for "target specific" products

"The feeling is that there will be extra earnings, but we can't say how much yet," he said



Graphic: LEE EMERTON Source JSE

Trans-Natal tops results with big deal

BDay 8/2/91 ROBERT LAING (215)

TRANS-NATAL, which increased its after-tax profit by 5% to R60,0m (R56,9m) in the six months ended December, announced yesterday that Eskom had decided to buy its Usutu Colliery coal reserves for R109m.

The Eskom board took the decision yesterday to ensure an adequate coal supply should Eskom's Camden power station some day resume electricity generation

Usutu's operations ceased when Camden closed down at the beginning of this year The R109m payment is not reflected in today's interim report, MD Mike Salamon said yesterday.

Higher coal prices and increased export tonnages enabled Trans-Natal achieve an increase in profit despite a shrinking local coal demand which saw overall sales drop to 14-million tons from 15,5-million.

Trans-Natal's domestic tonnages were

☐ To Page 2

Trans-Natal BDay 8/2/91

(215) ☐ From Page 1

hit by Eskom's rationalisation and lower demand from Sasol and municipal power-stations.

Coal exports accounted for 63% (about 60%) of the group's sales revenue of R712,5m (R681,0m). Inflation, strikes and a fire at Optimum Colliery pushed up the cost of sales to R607,1m (R552,4m), leaving an operating income of R105,4m (R128,6m)

Non-Eskom demand dropped to 2,7-million tons from 3,5-million.

The interim dividend was increased to 22c (20c) a share and earnings per capital unit rose to 75,3c (71,7c)

Salamon said he was optimistic about the group's future export potential Niche-marketing in Europe had already secured higher contract prices A similar strategy was aimed at Japan, for which its marketing team left yesterday

The group's Eskom sales dropped to 6,1-million tons from 6,9-million after the power utility's decision to mothball its Camden and Komati power stations. Usutu Colliery and the Blinkpan section of Koornfontein Mines, which were tied to these power stations, ceased operations at the begining of this year.

Discussions with Eskom regarding Koornfontein are still underway

Koornfontein Mines' Gloria project was on track and already producing coal The mine is being extended to enable Trans-Natal to fully utilise its expanded Richards Bay quota of 11,2-million tons (9,3-million) in 1994

Optimum is to get a new lease on life by having an underground section added, estimated to cost R250m over the next three years

Trans-Natal sells reserves to Eskom

CT Tms 8/2/91 (2/5)

Own Correspondent

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Profit boost

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Japan eases curbs on SA coal exports

(215)

Star 8/2/91.

By Derek Tommey

After four years of giving South Africa the cold shoulder, the Japanese are again showing signs of wanting to do increased business with this country.

Mike Salamon, managing director of Trans-Natal, announcing last night a 10 percent increase in the company's dividend from 20c to 22c, saidthe "unofficial" curbs imposed by the Japanese administration on imports from South Africa appear to have been lifted.

"You won't find this blazoned in the Japanese Press as the curbs were never official or put down in writing," he said.

"But we have been told by our agents that the restrictions, which imposed a cash limit on Japanese purchases from this country, no longer appear to be in force."

This is good news for Trans-Natal. In recent years it has had to accept a "political discount" on the price it received for the coal it sold to Japan.

But the improved political climate is expected to enable Trans-Natal to reduce the discount and get a better price for its Japanese exports.

Other sellers to Japan have also had to take lower prices this year owing to the slow-down in the world economy.

European market

Mr Salamon said Trans-Natal also expected to get better prices for its European sales this year.

In spite of a cutback in sales to Eskom and the local market, Trans-Natal increased its after tax income by 5 percent in the six months ended December from R56,9 million, equal to 71,7c a capital unit, to R60,0 million, equal to 75,3c a capital unit.

Sales dropped from 15,5 million tons to 14,1 million tons. But owing to better prices received, partly as a result of producing higher quality coal, sales revenue rose 4,6 percent from R681 million to R712,5 million.

The move to upgrade the quality of coal sold, together with an above-inflation-rate increase in the freight charges contributed to the 9,9 percent increase in the cost of sales from R552,4 million to R607,1 million.

Operating income dropped from R128,6 million to R105,4 million.

However, a jump in interest income enabled Trans-Natal to increase its after-tax income

A five-year agreement had been signed with Spoornet which provided for lower-than inflation freight increases in the next four years.

Sales to Eskom dropped 12 percent to 6,1 million tons Sales to other inland users (mainly Sasol and non-Eskom power stations) dropped by 23 percent to 2,7 million tons.

But export sales rose 4 percent to 5,3 million tons which indicates that the group should exceed its export target of 9,9 million tons this year

Eskom's decision to mothball the Camden and Komati power stations has resulted in 500 people being retrenched at Usutu and the same number at Koornfontein mines.

In order to ensure the future coal supply to Camden should it be reactivated, Eskom has bought coal rights associated with Usutu Colliery and certain contiguous coal rights from Trans-Natal for R109 million in cash. Negotiations regarding Koornfontein/Komati are continuing.

The group should show increased profits in the six months ending June this year, Mr Salamon said.

(215) FM 15/2/91 (215) **FOX**

TRANS-NATAL COAL FM 15/2/91

SANCTIONS WITHER (215)

With its local sales tonnage falling rapidly because of continuing Eskom cutbacks, Trans-Natal Coal Corp (TNC)'s profitability depends increasingly on the export market, which accounted for 63% of total revenue in the six months to end-December

Prospects for the export market during 1991 do not look marvellous, but the good news is that, in the wake of State President F W de Klerk's opening speech to parliament, the move to lift sanctions on SA is shifting at a pace few had thought possible It appears the ceiling imposed on imports of SA coal into Japan, which were capped at their 1987 total yen value, has been lifted just as TNC's negotiators fly there this week for the 1991 price and volume negotiations

SLIGHTLY BETTER

Six months to	Dec '89	Jun '90	Dec '90
Coal Sales (Mt)	15,5	14,8	14,1
Operating prof (Rm)	128,6	130,8	105,4
Attributable (Rm)	56,9	74,5	60,0
Earnings (c)	71,7	93,8	75,3
Dividends (c)	20	40	22

Says TNC marketing director Gordon Osterloh "The sanctions measures introduced by the Japanese government on our coal were never officially announced and I do not believe there will be an official statement that they have now been removed However, our marketing sources tell us they will fall away for the Japanese 1991/1992 fiscal year starting April as a result of the State President's speech."

That raises hopes for a reduction in the "political discount" which has reduced the price of SA coal by between US$3/t and $5/t TNC MD Mike Salamon believes there is a real chance TNC might negotiate an increase in coal prices in Japan this year, succeeding where others, notably the Australians, failed because the Japanese steel mills forced them to accept price cuts on their coking coal

Salamon also reckons the Australians panicked and settled too low in response to falling Japanese steel output However, Japanese concern on cutting costs could help TNC, which markets a product that is much cheaper than straight coking coal and is used in steel production through a process called pulverised coal injection

TNC and the other coal exporters will need all the help they can get because export market conditions generally are not that promising With the negotiations in Europe now complete, the SA exporters received on average only 4% increases in dollar terms for their products

However, profit margins are being squeezed hard by the strength of the rand against the US dollar, while production costs continue to rise in line with SA's inflation rate of nearly 15% Coal exporters are trying to cut costs, improve productivity and rationalise operations but some executives concede they will be lucky to hold future cost increases to movements in the CPI

What saved TNC in the six months to December 31 was the group's strong financial position That generated net interest income of R17,1m compared with financing costs of R3,9m in the comparable period of 1989 This, with lower amortisation charges, more than compensated for the 18% drop in operating income to R105,4m

Continue →

FM 15/2/91 (215)

TNC intends repaying one of its foreign loans of US$26,1m over two years from January this year. Further earnings improvement is forecast for the second half However, the share looks fully priced at 1 100c, on a historical dividend yield of 5,6%

Brendan Ryan

Coal-mining production up 4,6%

ROBERT LAING

THE SA coal-mining industry's production grew 4,6% to 184,5-million tons last year, Chamber of Mines Collieries Committee chairman Michael Hawarden said last week. 8 Day 18/2/91

Tonnage sold went up 2,5% to 182,5-million tons and gross revenue rose 9,7% to R7,9bn. Despite sanctions, exports went up 6% to 49-million tons, and higher prices were achieved. (215)

Speaking at the annual colliery safety function in Ermelo, Hawarden said the industry's safety performance hit a plateau last year.

The chamber said 24 coal miners died in accidents last year which translated into a fatality rate for coal mines of 0,44 per 1 000. This was a marginal improvement on the 1989 rate of 0,46. However, the reportable injury rate increased by 7% to 5,18 from 4,84 the previous year.

Last year, 12 mines achieved 1-million fatality free shifts, Hawarden said.

"A reversal in the reportable injury rate is an unacceptable trend. I know when times are tough the tendency is to cut back on areas which can be seen as non-essential. I want to say very bluntly safety is not among these non-essentials.

"The next generation of mines could be deeper underground mines, often gassy and faulted with strata control problems not experienced previously. This will create a far tougher safety challenge."

Coal producers catch up to international prices

215

B/Day 18/2/91

ROBERT LAING

THE "political discount" SA coal producers experience because of sanctions seems to be declining.

Mineral Bureau figures for international steam coal prices in December, given in cost-insurance-freight (CIF) values, indicate that SA collieries' prices have caught up with the prices of their competitors.

However, local producers say they still bear a political discount of between \$5 to \$6 if free-on-board (fob) prices are compared.

Trans-Natal MD Mike Salamon said the discount still applied — and hurt — because the "beneficial cost advantage" of SA producers was being eroded by inflation.

The price received for coal from SA, Australia and the US at various destinations was about US\$0,16 per mega-joule (MJ) across the board in CIF values, the Minerals Bureau said.

SA coal with a calorific value of 26,0 MJ/kg received \$43 a ton at the Dutch ports of Amsterdam, Rotterdam and Antwerp (ARA).

This compared well with Australian coal with a calorific value of 26,2 MJ/kg which got \$42 a ton in Spain

BUSINESS

Fralex making two acquisitions

(215) Star 20/2/91. (IBP)

By Jabulani Sikhakhane

Despite the tougher trading conditions which saw earnings fall 28,6 percent to 44,6c per share in the six months ending December, Fraser Alexander (Fralex) is expected to announce two major acquisitions which could more than double its size and after-tax profits.

A dividend of 6,5c (8c) is being paid.

Chairman Peter Flack says one acquisition in the waste handling area which will be funded internally, will be signed today.

The other, a bulk material handling and waste handling company, will be funded 42 percent by issue of Fralex paper and the balance in cash.

Last October Fralex acquired a bulk handling and coal washing facility in the UK, which partly contributed to the sharp increase in gearing from 40 percent to 70 percent.

Fralex's core business is in the handling of mining waste, construction and the manufacturing of concrete products. The group also mines and handles bulk coal.

Discussing the results, Mr Flack said Fralex was hit by cut-backs from its major customers particularly during the first quarter. Also unrest in black townships curtailed infrastructural development, which in turn had negative impact on the concrete division

Mr Flack says the concrete division is currently sitting with three months of stock and the working week has been reduced to four days and may soon be cut to three days.

Fralex was also awarded lower price increases than the previous years Increases averaged 10 percent from 15 percent in the last financial year.

However, there was a slight improvement in the second quarter as a result of new contracts. The coal division also perfomed better due partly to firmer coal prices.

As a result, turnover rose 6,8 percent to R104,735 million (R98,094 million)

But squeezed margins and higher gearing meant that the net income attributable to ordinary shares (before extraordinary items) fell 27,4 percent to R5,559 million from R7,661 million.

Mr Flack says gearing is budgeted to come down to 62 percent by year-end.

Directors expect that earnings for the six months ending June will show an improvement on the review period

Pyramid Fralex, which holds 72,9 percent of Fraser, Alexander, also reported 28,5 percent decline in earnings to 25,1c (35,1c)

Coal faces environment issue

Bday 26/3/91

(215)

TURNING black coal green will be one of the major challenges of the coal industry, World Coal Institute chairman Bruce Thompson said last year.

Sasol Technology MD John Marriott, in briefing the President's Council in Cape Town last year on the environmental aspects of Sasol's plants, said "To a large extent, the Sasol operations at Secunda have demonstrated this is possible"

Sasol, as a world leader in the field of converting coal and natural gas into oil, has continually upgraded technology, improving its performance in efficiency, productivity, economy and also making the processes more environmentally acceptable.

Marriot says the conversion process can be carried out with less effect on the environment than many other uses of coal.

Sulphur and nitrogen contents are largely recovered as co-products.

Standards for pollution control have changed in the last 30 years, particularly in the area of air pollution. In 1969, SA had no air pollution legislation

Marriot says "In the early '50s, when Sasol 1 was built and commissioned, a belching smokestack was seen as a symbol of industrial development and prosperity

"But the 35-year-old plant has been able to meet the stringent modern standards imposed on it."

Challenges

Marriot says despite the reputation created by international incidents such as Seveso or Bhopal, the world's petrochemical industry has easily met the environmental challenges imposed by rapidly improving global standards.

Sasol's research and development department has striven to obtain and perfect a sulphur recovery process and improve effluent treating processes

All Sasol plants are involved with the chief air pollution control officer in charting effluent standards

At Sasolburg — the site of the Sasol 1 refinery, the Sigma colliery, the Natref refinery and fertilisers plant — the installation of electrostatic precipitators for Sasol 1's eight boilers was a first in SA in attempts to ensure optimal dust-removal.

In 1985, it was proved improvements could be made by implementing ammonia conditioning in the boilers.

The technique improves the efficiency of the precipitators by adding gaseous ammonia to the flue gases in small quantities. It has been used in all 16 boilers at the plant.

The precipitators operate with 99,5% efficiency on the almost 40-year-old boilers.

The original design was only 80% efficient in dust-removal, while the precipitators, before ammonia dosing was introduced, worked at 98,3% efficiency

At Secunda — the site of Sasol 2 and 3, a fertilisers plant, the SMX explosives plant and four coal mines — Sasol employs 21 000 people

While these Sasol plants are newer, commissioned in 1980 and 1982, their environmental performance has had to be upgraded as standards tightened

Sulphur removal is a key, as in the Sasol process it is necessary to remove the sulphur, as hydrogen sulphide, from the coal gasification before synthesis.

Unworkable

Marriot says hydrogen sulphide cannot be emitted as such, but the Stretford process chosen to eliminate it was found to be unworkable after the Secunda plant was built

Sasol 2 was commissioned without a sulphur-recovery unit, but three years of research with pilot-plant work in SA, the US and Germany culminated in the effective "Sulfolin" recovery process developed in conjunction with Linde AG, of Munich

Sasol 2 and 3 now produce 150 000 tons of sulphur a year, replacing imports of R45m a year.

SA coal exporters 'can now be fussy'

2\15

ROBERT LAING

SA COAL exporters have not only managed to overcome their pariah status in the international market, they are now in a position to be choosy about their clientele.

Coal Week International reports that the Transvaal Coal Owners Association (TCOA) has asked Japanese steel mills to cut their orders by 19%, turning the tables after years in which Japanese buyers scaled down coal intake from SA.

The TCOA — which markets low-ash Witbank coking coal offshore for Amcoal, Rand Mines and Goldfields — told the Japanese it needed extra coal for its higher-bidding European customers.

The TCOA was barred from marketing coal locally three years ago by the Competition Board. BDay 1\3\91.

A Rand Mines spokesman confirmed the report but an industry source said the decision by the TCOA to limit Japanese sales was taken because of poor Japanese prices rather than a wider customer base.

Japanese mills accepted a reduction in supply to 1,35-million tons, down 310 000 tons from 1990 The 1991 price was set at $43 a ton free-on-board, down $1 in line with producers from other countries, Coal Week International said

The report said the TCOA was able to seek a reduction in sales tonnage to Japan because of increased demand by foundries worldwide for Witbank coking coal Steel mills favour the coal because it is ideal for

☐ To Page 2

Coal exporters

BDay 1\3\91 (2\15)

☐ From Page 1

pulverised coal injection, a technique which substantially reduces the amount of coke needed per ton of hot metal.

There has been a persistent slide in SA coal sales tonnages to Japan in the past eight years. Local producers suspect Japan's trade department MITI leaned on importers to freeze the yen value of SA coal orders as an anti-apartheid protest, but the ban has never been made official.

The report said Japanese buyers were keen to step up orders once economic sanctions had been lifted, but Japan's foreign ministry recently said they should wait until apartheid legislation was dismantled.

SA coal producers sought tonnage reduction because of Richards Bay's strained loading capacity.

SA coal: Japan 'important'

B Day 4/3/91 Business Day Reporter (215)

THE Japanese were important customers for SA coal, and most exporters were seeking to increase their market share, Rand Mines Coal Division deputy chairman and a director of the Transvaal Coal Owners' Association (TCOA) Allen Cook said

Cook was responding to an article published in Coal Week International and quoted in Business Day on Friday, March 1, which said the TCOA had asked the Japanese steel mills to cut their orders by 19%.

Cook said the Richards Bay coal terminal had been constructed on the basis of an 11-year contract for Witbank low ash coal entered into between TCOA and the Japanese Steel Mills This contract had since been renewed, and the TCOA had diversified exports of this coal so as to reduce exposure to one country

A geographic spread of Witbank low ash coal offered some protection against regional fluctuations in demand

TCOA chairman James Campbell complained that the article could be misinterpreted.

Spoornet signs R6-bn coal agreement

Star 13/3/91.

215

By Sven Lünsche

The South African coal industry and Spoornet yesterday signed a five-year agreement, worth R6 billion, for the transport of coal to the Richards Bay Coal Terminal (RBCT)

The agreement, which determines the freight rates set by Spoornet, makes provision for increased exports through the RBCT, culminating in exports of 53 million tons in the 1994/5 period

Exports in the current 1990/1 period are forecast at 44 million tons, compared with 43,5 million tons in 1989/90 and 41 million tons in 1988/9 (see graph)

The agreement was signed by Allen Sealey, chairman of Rand Mines coal division, who represented the coal industry, Barry Lessing, chief executive of Spoornet, and Mike Dunn, MD of RBCT

Over the last three years contracts between the parties were negotiated annually, but the latest agreement recognises "the long-term strategic importance of the coal industry"

Mr Lessing would not give details of the freight rates, but he indicated that increases over the five years would be less than inflation and in the region of eight percent a year

The escalation of rates would be determined by the volume transported as well as production cost inputs.

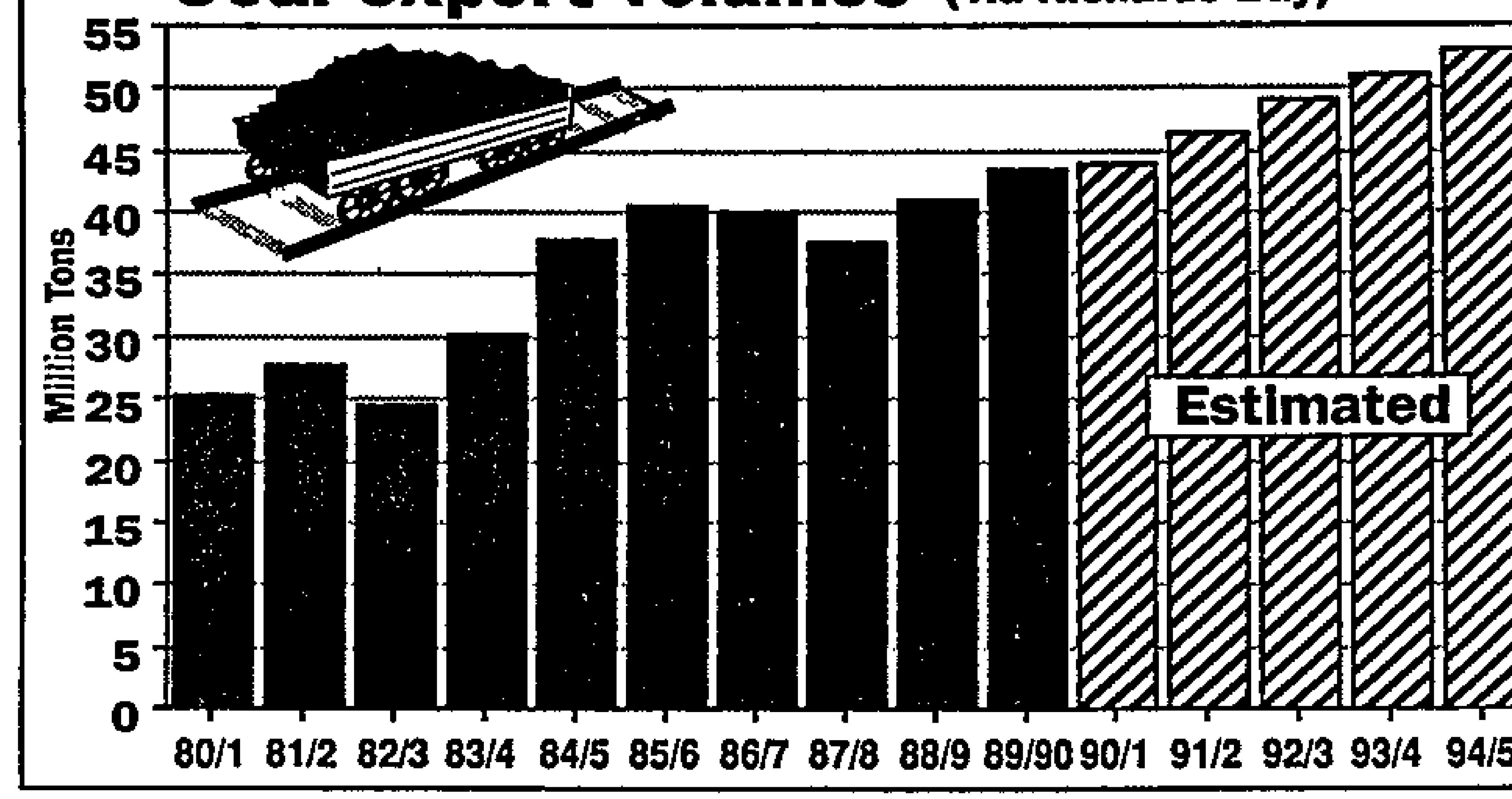
The increased rail tonnage coincides with an extensive R320 million refurbishment programme at RBCT, which, according to Mr Dunn, will increase capacity to 53 million tons by the end of this year.

The RBCT coal line has a capacity of 65 million tons a year

Coal industry analysts expect that South African exports will easily reach that target over the next few years as sanctions have been lifted or are due to be scrapped in Denmark, France and Japan and new markets open up in Eastern Europe

Furthermore SA coal's low sulphur and ash content is an important consideration for overseas buyers, who are faced with increasing pressure from environmental groups.

South Africa's total



coal exports last year — via Richards Bay and Durban — totalled about 48 million tons at an average price of around $41 per ton

There has been little fluctuation in the price since early 1988, but industry sources admit that SA coal has been trading at a considerable "political discount".

Over the last few year this discount averaged between $3 and $5 a ton and has cost the coal industry roughly R200 million in lost export revenue

Dividend yield,
/=Volume RP is
r asking price at
agged

Queries about accuracy of information should be addressed to Sharenet

Coal sector stronger

By Jabulani Sikhakhane Star 14/3/91. 215

The JSE took a breather yesterday with profit-takers trimming the recent gains on some counters and selected industrial blue chips attracting some demand

After reporting a 16 percent drop in earnings, market leader DE BEERS was marked down 75c to R72,50 Since Tuesday midday when the results were announced, De Beers has fallen 7,3 percent or 525c

But dealers feel the mark-down of De Beers shares is overdone, as the lower earnings were expected Investors were still buying the shares at the lower levels yesterday

On the rest of the mining board, the coal sector featured with strong gains by A T COLL adding 350c to R60 and AMCOAL up 250c to R92,50 Platinums weakened, but gold shares were a shade firmer on the back of better gold price

Among gainers were ELSBURG up 10c to 245c with foreign buyers at 250c DRIES added 25c to R33,75 and VAAL REEFS gaining 100c to R191

Heavyweight industrials were slightly easier on profit taking Leader BARLOWS lost 150c to R40,75c and SAB fell 100c to R47

Retail counters were in good demand with TRADHLD adding 12,5 percent or 10c to 90c Tightly-held stock, WOOLTRU surged 450c to R82,50 and its "A" shares added 200c to R81. CNAGALLO was up 25c to R24,75 and EDGARS firmed a further 50c to R52

Among other industrials gainers, engineering group AFROX added 100c to R57 and DALYS, the holding company for carbonated softdrink bottler and marketer Suncrush, added 200c to R32

Dalys provides a cheaper entry into Suncrush, which is now trading at R300 after Tuesday's R25 surge Ahead of results next Tuesday, HOLDAINS added 25c to R26,25 and SAPPI rose 50c to R36.

In the banking sector, UBS and ALLIED, which will form part of the largest banking group ABSA were slightly firmer with large volumes traded.

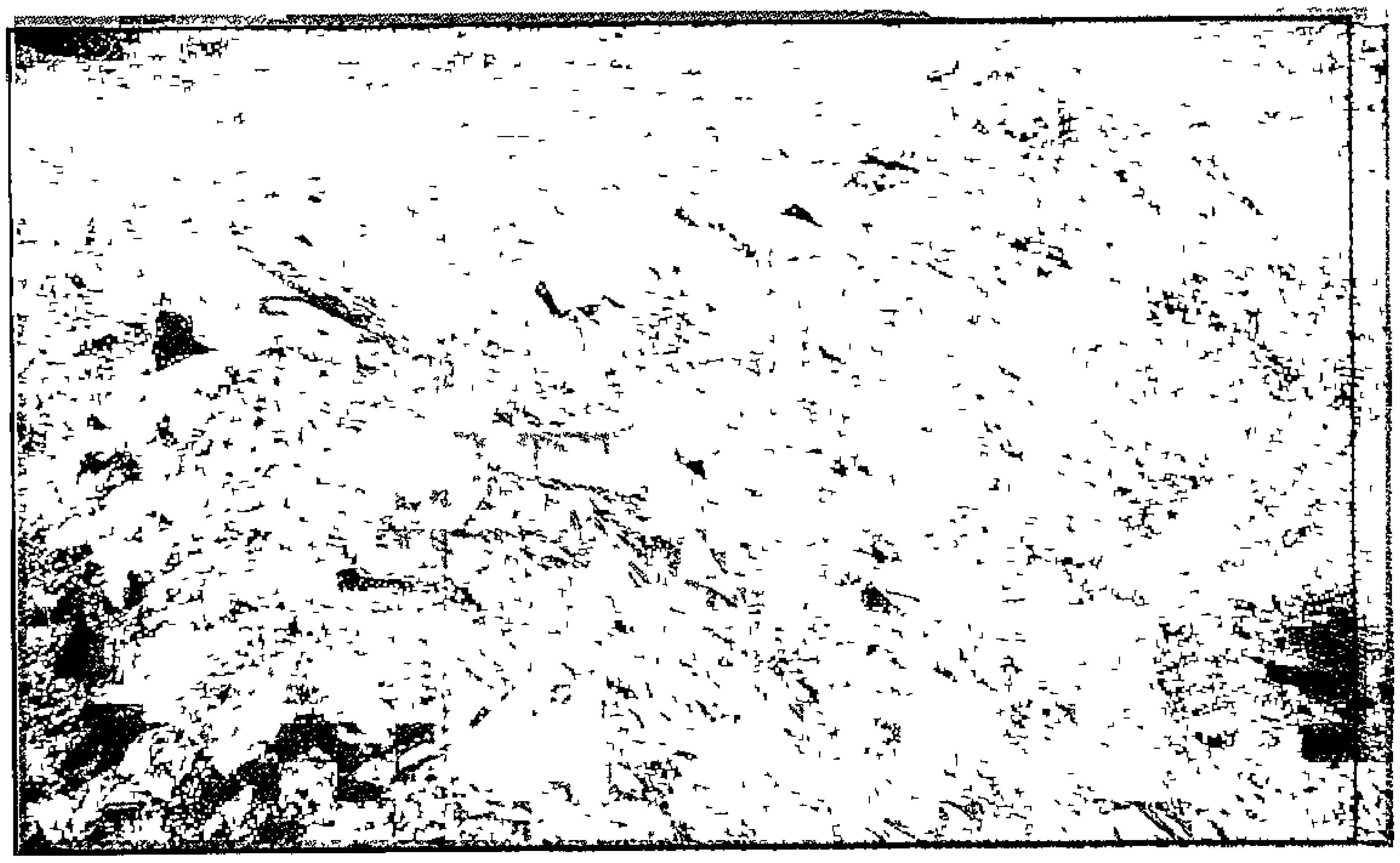
● **The volume of shares traded yesterday was 11 008 365 valued at R94 750 952 compared with 14 697 697 valued at R116 016 629 on Tuesday.**

'Fish and chip' miners rape land

(215) Star 16/3/91

Workers complain of poor pay

THERESE ANDERS and ABBEY MAKOE



HARD LIFE: Albert Khulei relaxes on his bed inside the primitive compound None of the beds has a mattress.

DEVASTATION· Some of the "raped" land where there was once a mine. Such sights are familiar in the eastern Transvaal. ● Photographs: Brian Hendler.

THE beleaguered eastern Transvaal highveld is being ravaged by a new aggressor hit-and-run miners

Fly-by-night open cast collieries are abandoning their surface diggings without restoring the scarred land In the process they are causing untold environmental damage

Outdated legislation — introduced in 1980 — allows them to get away with maximum fines of R300 if they are convicted of land rehabilitation offences under the Mines and Works Act

In the meantime they are exploiting unemployed labourers whom they pay what has been described as starvation wages make them work long hours in oppressive conditions and provide no benefits

Rusting

On a visit this week to the liquidated Bordex Mine between Hendrina and Carolina the Saturday Star found flooded workings oozing highly acidic water into the local river system

Fine dust blew into the air from mountains of coal and millions of rands worth of rusting mining equipment, haulers and vehicles — even an explosives truck — stood exposed to the elements

North of Witbank, plot owners complain bitterly of coal dust storms and undrinkable borehole water which they claim is contaminated by a small unrehabilitated colliery nearby

The National Union of Mineworkers' press officer Jerry Majatladi slammed what the union calls "fish and chip" mines for the "brutal exploitation" of their workers

"Most of these mines are not fit to operate," he said "The working conditions are subhuman, they pay starvation wages, and the safety provisions are appalling Also they are anti-union

"We feel the Government should not allow these mines to operate unless they meet basic conditions of employment generally accepted in other industries, and even at the Chamber of Mines"

A Saturday Star news team visiting the small Polmaise Colliery, south of Middelburg this week, found 60 miners living in two primitive blocks

There were four showers on the site and two long-drop toilets in the nearby veld

The miners said their average monthly pay was R360 They worked 10 hours a day, five days a week

They said they were given no leave and were not allowed to belong to a union

Star 16/3/91 (215)

Bankrupt

One man said he had been the mine's electrician until recently when he had been laid off He was not qualified, but said he had been responsible for "fixing all the electrical things on the site"

Several attempts to reach the management of Polmaise Colliery for comment drew a blank

Deputy Government Mining Engineer Gerrie Haasbroek said when a mine owner goes bankrupt — as has happened in at least five cases recently — the mined area would not be rehabilitated

"No provision is made in any law for responsibility to be accepted by the State, imposed on the freehold owner or the holder of the mineral rights

"However it is normal policy to negotiate with any new owner to accept responsibility for outstanding rehabilitation, and in this regard we have had very good co-operation"

Of the 23 small collieries that have ceased operations since 1986 in the Witbank, Middelburg, Belfast and Ermelo areas, only half have completed rehabilitation work

However, only one of the 23 has been issued with a certificate by the Inspector of Mines stating that the owner has complied with all the Mines and Works Act requirements on rehabilitation

At some abandoned mines such as Groenvlei (Belfast) and Kleinwater (Witbank) — both of which have been liquidated — no rehabilitation work has been done at all

This is also the case at Le Ter (Middelburg)

As part of a move to plug gaps in the law the Government Gazette of March 1 lists new powers of Inspectors of Mines in terms of the Mines and Works Act

Inspectors are now empowered to order the rehabilitation of working mines at the expense of the mine owner or manager

And the Government Mini... Engineer is now able to forc... potentially troublesome operators to set aside money for th... eventual restoration of the m... surface area

Further measures to tig... up control of mine land restoration are now before Parliament

Glowing results from MacPhail

215

BDay 25/3/91

ROBERT LAING

DOMESTIC coal marketing and distributing group MacPhail continued its rapid growth last year, producing its sixth consecutive set of record results on Friday.

Earnings for the year to end-December rose 22% to 50,5c (41,5c) a share and the final dividend was raised to 13,5c (12,5c) a share, making a total for the year of 19c a share compared with 1989's 16,5c

MacPhail opened four new coal distribution depots (it now has 11), boosting its turnover 38% to R211,8m (R153,4m). This is double 1988's turnover and four times 1985's.

However, profit margins dropped to 5,6% (6,8%) partly due to the cost of the new acquisitions and the slow economy, director Tery Rolfe said on Friday.

CE Sid Weintoub said. "Start-up costs at the new depots have been absorbed and they are expected to contribute to profits in the coming year." The company continued to have funds on deposit — R19,5m (R17,5m) — and the company remained totally ungeared, he added.

Directors predicted earnings a share would increase further this year, given stable operating conditions

SA team to be at coal talks

B/Day 26/3/91 (215)

Business Day Reporter

SA COAL mining executives will participate in an environmental conference on clean coal technology to be held in London at the beginning of April.

The conference is organised by the World Coal Institute (WCI), an international association of coal producers It will also be attended by representatives of eight developing countries invited by the Vienna-based UN Industrial Development Organisation (Unido)

WCI CE Richard Tallboys said in a statement that the main aim of the "Coal in the Environment" conference was to encourage developing economies to apply the most environmentally protective technologies in the coal-fired power stations they are currently planning.

One of the conference's sessions will be chaired by Rand Mines deputy chairman Allen Sealey.

Speakers include Unido director general Domingo Siazon, British Secretary of State for Energy John Wakeman and US Assistant Secretary for Energy Robert Gentile

COMPANIES

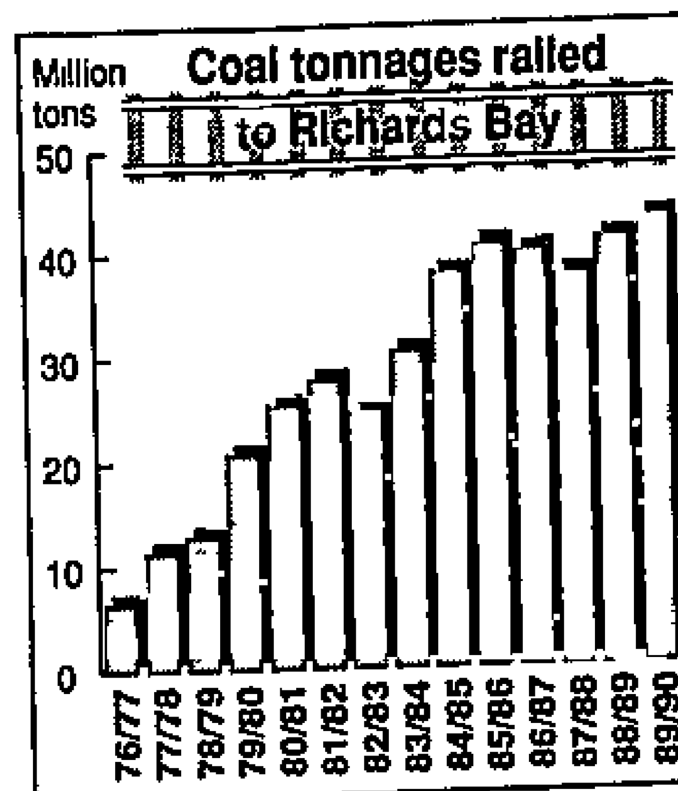
Five-year rail tariff contract for coal signed

ROBERT LAING

A NEW five-year rail tariff contract for the line linking coal fields to Richards Bay was signed yesterday by Spoornet and the 16 coal producers which use the port B Day 13/3/91

The signing ceremony formalised the railage rates agreed on by the coal industry and Spoornet 18 months ago

Tariffs rose by 17,8% in April 1990, but in terms of the agreement increases would be limited to about 50% of the Producer Price Index (PPI) for the next four years, coal producers said in their 1990 annual reports



Graphic: FIONA KRISCH Source SPOORNET

Spoornet declined to disclose details of increases, but Rand Mines deputy chairman Allen Sealey said they would probably be under 8% a year

Spoornet CE Barry Lessing said no exact figure could be given for increases as the new tariff structure was volume sensitive 215

From 1990/91 to 1994/95, export volumes are expected to grow from the present 44-million tons Richards Bay Coal Terminal MD Mike Dunn said the port's upgrading to 53-million tons should be completed by the end of this year

Spoornet said it was upgrading its rolling stock capacity from its current 46-million tons. The Richards Bay Coal line has a 65-million ton annual capacity

Controls on coal exports are finally swept away

Star 1/4/91.

215

By Sven Lünsche

The Government has abolished formal control of coal exports

Dr Pan Welgemoed, the deputy Minister of Mineral and Energy Affairs, says the Government has accepted the recommendations of the Coal Advisory Committee.

"The coal export industry has reached a stage where formal Government control of coal exports is no longer necessary," Dr Welgemoed said, in a weekend statement

Any remaining impediment to the operation of free market forces in the conduct of coal exports, including possible participation by bona fide new coal exporters, would be removed.

The recommendations come into effect immediately and mean in essence that the coal export allocation system no longer applied, Dr Welgemoed said

Export permits from the Department of Trade and Industry would still be required, however

The restrictions on coal exports imposed a burden on the industry in the mid-1970s when the Government imposed coke and coal export control commodities

Over the years, however, the restrictions have been eased and the last move was to impose a coal export ceiling of 80 million tons per year for 30 years

This represents only 4,4 percent of SA's coal reserves, but annual exports have never come close to that level The highest level of exports achieved so far was 47,4 million tons last year.

The Coal Export Committee recommended that Government, through the National Energy Commission, continue to monitor and influence the coal industry through other statutory measures and mechanisms that are, or could be, applied.

This includes the enforcement of measures in the unforeseen event that coal shortages might arise in the domestic market.

Formal export control could also, if need be, be re-introduced in terms of existing legislation, Dr Welgemoed said.

Deregulation proposal set to ignite coal exports

B1Dcy 2/4/91. (2.15) (BA) (12241)

LESLEY LAMBERT

CAPE TOWN — Coal exports, SA's second biggest foreign exchange earner after gold, are likely to be boosted by deregulatory measures proposed by the Coal Advisory Committee.

Cabinet has accepted the committee's finding that it is no longer necessary for government to control coal exports, and has implemented recommendations to scrap regulations which enforce control with immediate effect.

The repeal of various laws and conditions affecting coal exports — including parts of the Import and Export Control Act and Coal Resources Act — will remove the export allocation system and should boost exports by making it easier for new exporters to enter world markets

Mineral and Energy Affairs Deputy Minister Piet Welgemoed said last week the deregulatory measures would "remove all remaining impediments to the operation of free market forces in the conduct of coal exports, including possible participation by new coal exporters".

Coal and coke were declared export control commodities in 1973 as a result of the international oil crisis Since then, the coal export industry has grown into the largest in the world

The Coal Advisory Committee found that government had played a significant part in building up the industry but its role in ensuring the optimum use of coal resources, protection of the domestic market requirements, regional development, orderly marketing and environmental protection had been overtaken by market forces

It recommended government monitor and influence the industry through other statutory measures in the event of coal shortages in the domestic market.

But it found the long-term requirements of the industry's main domestic customers, such as Eskom and Sasol, were unlikely to be affected by an increase in exports Coal was exported from the higher quality reserves and Eskom and Sasol used low grade coal

In another development, a Bill proposing the repeal of coal levies paid by the industry and government to the Central Energy Fund was tabled in Parliament.

Coal mines pay levies of up to 3c a metric ton on coal sold or used for industrial purposes and government contributes an equal amount to the fund for research purposes

● See Page 7

Colliery fire: R103-m claim to begin

Star 3/4/91.

By Therese Anders
Highveld Bureau

215

WITBANK — A R103 million civil claim against the Witbank Town Council and the Minister of Mineral and Energy Affairs over Witbank's burning Outspan Colliery begins in the Pretoria Supreme Court on Tuesday

The case, which is set down for two months, is believed to be one of the country's biggest civil claims

The action is being brought by Coetzee Street (Middelburg) Properties (Pty) Limited, Witbank Brickworks (1961) (Pty) Limited and Blackstone Mining (Ogies) (Pty) Limited

An underground fire broke out at the abandoned Outspan Colliery, which belongs to the Witbank Town Council, in 1982 Various attempts were made to extinguish the blaze, including flooding the mine

Subsequently, the adjacent Blackstone mine was flooded, Witbank Brickworks was unable to use part of its property, and Coetzee Street Properties could not go ahead with plans to develop the area

Last year the Witbank council applied to the Government to have the burning Outspan Colliery declared a disaster area.

The Government turned down the application, but came up with R10 million to dig a massive trench to cut off the fire from the nearby Maputo railway line.

Yesterday one of the trench contractors said the project was going ahead successfully and the railway line was no longer in danger

Deregulation 'will not help coal sales'

BDay 4/4/91

ROBERT LAING

DEREGULATION of coal exports meant less red tape but no sales boom for the SA coal industry, chairman of the Coal Advisory Committee and Amcoal MD Dave Rankin said yesterday. 215

Although the removal of regulations was unlikely to cause any bonanza in export tonnages, it still was apositive step and could marginally help smaller exporters of sized coal.

Rankin said the laws were redundant because coal exports were regulated by the capacity of Richards Bay Coal Terminal (RBCT), and each company's ability to raise capital for a share of the terminal and mine export-quality coal.

MacPhail CE Sid Weintroub said smaller companies were fairly indifferent about export deregulation as they had little chance of gaining shares in RBCT.

Alternative coal terminals at Durban and Maputo were uncompetitive because of higher rail transport costs, he added.

Coal production 'must be boosted to meet demand'

215

BDay 5/4/91.

BRENT VON MELVILLE

SA would have to bolster its coal production by 36% within the next nine years if it wanted to keep pace with growing demand, Mineral and Energy Affairs Minister George Bartlett said in London yesterday.

Speaking to delegates at the international Coal in the Environment conference, Bartlett said SA's dependance on coal was not going to decrease

The challenge facing SA, now the world's third largest exporter of steam coal after the US and Australia, was to produce energy cheaply, despite the higher costs that were inevitably associated with responsible environmental management.

In 1990, the value of SA's domestic coal sales amounted to about 50% of all local mineral sales, while coal was the biggest contributor to foreign exchange earnings after gold, with a total of 47,4-million tons exported valued at R3,8bn

"However there is in SA a growing awareness both of the need to protect the environment in the course of mining and industrial operations, and also of costs that society must be prepared to bear in order to effect this protection," Bartlett said.

The growth of the SA coal industry was made possible by the favourable geological conditions that prevailed in the major coalfields, and very importantly from an environmental point of view, the inherently low sulphur content of SA coals.

"In the area of resource assessment the focus was on the development and demonstration of appropriate technologies to enhance exploration and quantification of coal reserves

"A striking example of a recent success achieved with regard to the efficient and the safe extraction of our coal resources is a modification in the existing design of underground pillars in SA coal mines, which allows the mining of as much as 26% more coal, in given areas, without sacrificing safety," Bartlett said.

"Considerable local expertise has been built up through the years with regard to the characteristics and properties of our coal, through which the needs of both the local and international markets can be met through appropriate beneficiation routes

"For example, a highly successful two-stage beneficiation process for producing metallurgical coal and power station feedstock has been established at Grootegeluk Colliery in the north-western Transvaal, one of the largest open cast mines in SA"

Bartlett said encouraging progress had also been made in addressing the growing challenge of utilising discard coal which accumulates currently at a rate of about 40-million tons per year, and which also presents an environmental problem.

Demand for coal likely to increase 36 percent

Star 5/4/91 (215)

LONDON — South African coal production would have to show a 36 percent increase by the year 2000 to meet growing demand, the new Minister of Mineral and Energy Affairs, Mr George Bartlett, told the World Coal Institute's conference in London yesterday.

He emphasised the South African coal industry's commitment to harmonising maximum "clean coal" exploitation with protection of the environment.

The theme of the three-day conference, attended by government ministers and coal industry leaders from more than 40 countries, is "coal in the environment".

Listing a number of recent technological breakthroughs in the South African coal industry, Mr Bartlett said he was convinced that, despite the inevitable environmental impact, "coal and the environment will co-exist in harmony for many more years to come".

Mr Bartlett drew attention to the "tremendous economic and strategic importance of South Africa's coal-based electricity and synfuels industries, especially in the Southern African context.

"Coal . . . at present providing over 80 percent of South Africa's energy needs . . . still serves as the most important household fuel to the developing part of our community.

George Bartlett

"The industry also employs about 90 000 people of which almost 90 percent are unskilled and semi-skilled workers, who support approximately 470 000 dependents.

"It is also significant that almost 70 percent of the unskilled and semi-skilled industry workforce is drawn from neighbouring countries.

"(This) means that thousands of families beyond our borders also benefit from the wealth created by the domestic coal mining industry".— Sapa.

Coal exports set to fetch higher prices

2 15

Star 8/4/91

By David Canning

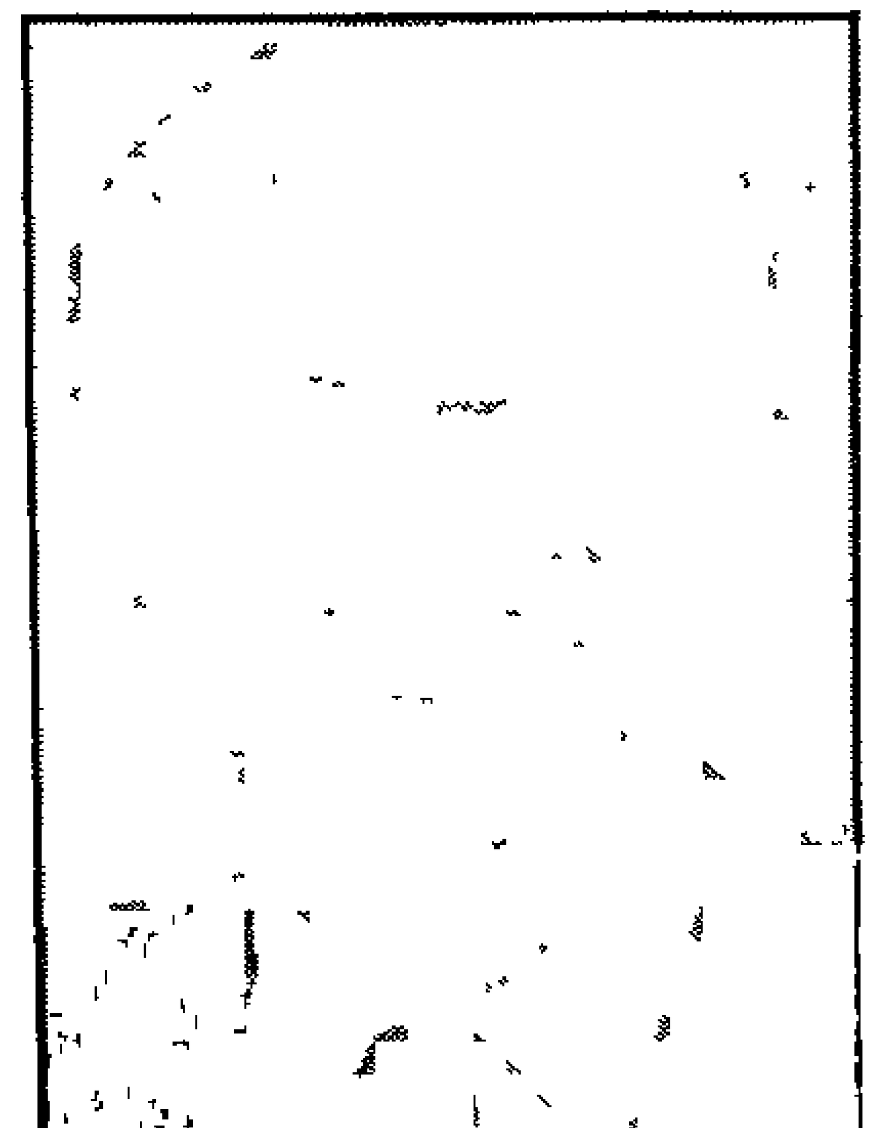
DURBAN — Contract prices for coal exports to Europe will rise by up to eight percent this year, in line with the diminishing political stigma.

At the same time, domestic deregulation from April 1 means that Transvaal coal producers can now sell their products in Natal, and vice versa.

Mike Salamon, managing director of Genmin's Trans-Natal Coal Corporation, said in a telephone interview from London at the weekend that South African steam coal producers selling into Europe had negotiated 1991 contracts at prices on average three to eight percent higher than those of last year.

In contrast, other producer countries' European contracts had been around 1990 levels, meaning that European consumer countries generally recognised that South African coal was under-priced last year, he said

South Africa's Far Eastern contracts on average have been at similar prices to those of 1990, although Japanese prices have been reduced.



Mike Salamon . . . export growth likely to be steady and healthy

Despite the deregulation measures, Mr Salamon stressed that export growth was likely to be steady and healthy, but not phenomenal

He said the world market was already slightly over-supplied, sanctions were still in place in many countries and would-be new South African exporters would have to secure terminal facilities.

Moreover, the stronger rand thus far for 1991 meant that net earnings from coal exports to Europe had been much the same as those of last year, despite slightly higher dollar prices. These could, however, improve with the weakening rand

As part of the Government's three-to-four-year deregulation process, announced early last week, major producers who owned and exported through the Richards Bay terminal were already gearing up for a 20 percent increase in exports over the next couple of years, he said

He said the first R316 million phase of the Richards Bay project would increase the terminal's capacity from 44 million tons to 53 million tons a year by the end of 1991 — although it would take longer to reach this figure owing to the need to expand rolling stock and other facilities

Eventually the terminal's capacity could reach 80 million tons a year.

Mr Salamon said the market would have to be watched closely to assess the impact of removal of restrictions on the sale of Transvaal coal in Natal, and vice versa.

However, he believed the relaxation was unlikely to make much difference because of high transport costs

He said overall deregulation of the coal industry had a number of distinct aspects.

The first, a couple of years ago, flowed from the Competition Board ruling against producer cartels

The Transvaal Coal Owners Association was consequently disbanded in 1988

Mr Salamon said while abolition of the export quota system meant new exporters could get into the market, the going would not be easy

Other producer countries would fight back South Africa already had a 26 percent stake of the world steam coal market

They also would have to find export facilities through Durban, Maputo or elsewhere.

The Richards Bay terminal was built and is owned by private enterprise and is working at full capacity

Equity in the terminal is owned by the former export-quota holders in proportion to their share of the phase three quotas

In other words, Trans-Natal, which has a quota for 9,3 million tons, holds 21 percent of the equity

SA coal regains markets and scraps cheap prices

STimes 14/4/91. (215) (Bus(T))

By IAN SMITH

SOUTH AFRICAN coal mines are winning back markets lost through sanctions.

They are wiping out the "sanctions discounts" which eroded foreign earnings for five years

The industry is determined the retain the markets which quickly took up the tonnage lost to sanctions in 1986

SA mines, the world's second-biggest exporter of steam coal, earned R3,52-billion last year

Exports were close to capacity when 49-million tons of steam coal were shipped abroad

The major bottleneck was the Richards Bay Coal Terminal which handled its maximum capacity of 46-million tons.

Confidence

A R316-million upgrading programme to lift capacity to 53-million tons will pay dividends next year

The industry's new confidence, reflected in its vigorous sales campaigns abroad, does not stem only from the erosion of sanctions

Deregulation of exports has opened the way for smaller producers to sell abroad, and a new five-year tariff agreement with the railways for the line from the Eastern Transvaal to Richards Bay will protect the collieries from the huge increases which threatened profitability in the past

Although chances are better than ever for the industry to enter a new era of stability, Rand Mines deputy chairman Allen Sealey warns that there will not be a sudden bonanza.

"There is no place for euphoria," he says "We have been encouraged by the reaction from traditional customers who were cut off from us by sanctions

"It is, however, important that we keep the new markets that were nurtured so carefully in the bad days"

Threatened

Contracts for this year that were negotiated with European customers in the last quarter of 1990 have been concluded with price increases ranging from 3% to 8%

This is regarded as highly satisfactory in a world market still threatened by oversupply

Contracts which have just come into effect with Far East customers have been negotiated at prices closer to those ruling last year Japan, particularly, has put the squeeze on suppliers to gain price reductions

The fact that European buyers have agreed to increases for SA producers while other suppliers have been kept closer to last year's price levels is taken as evidence that the sanctions discount is being phased out

SA suppliers reluctantly agreed to discounts after sanctions came into force to help them break into new markets and to retain their share of those still open

Sanctions killed SA sales of 3,5-million tons a year to Denmark, 5-million to France and about a million to the US But exports recovered quickly to 43-million tons in 1988 and 46,7-million in 1989

Early this year the industry broke into the British market for the first time in 20 years with sales to a utility, Northern Ireland Electricity.

Mr Sealey says competition is tough because new suppliers like Colombia, Venezuela and Indonesia are coming on the scene.

Australia has also strengthened its position with more reliable deliveries after a period of labour strife.

But Russia offers unreliable delivery and quality and China "comes and goes" on world markets The US is also not a regular supplier, its producers mainly moving in when prices are high.

Secure

Markets for coal are reasonably secure, even in developed countries where environmental issues are taken seriously.

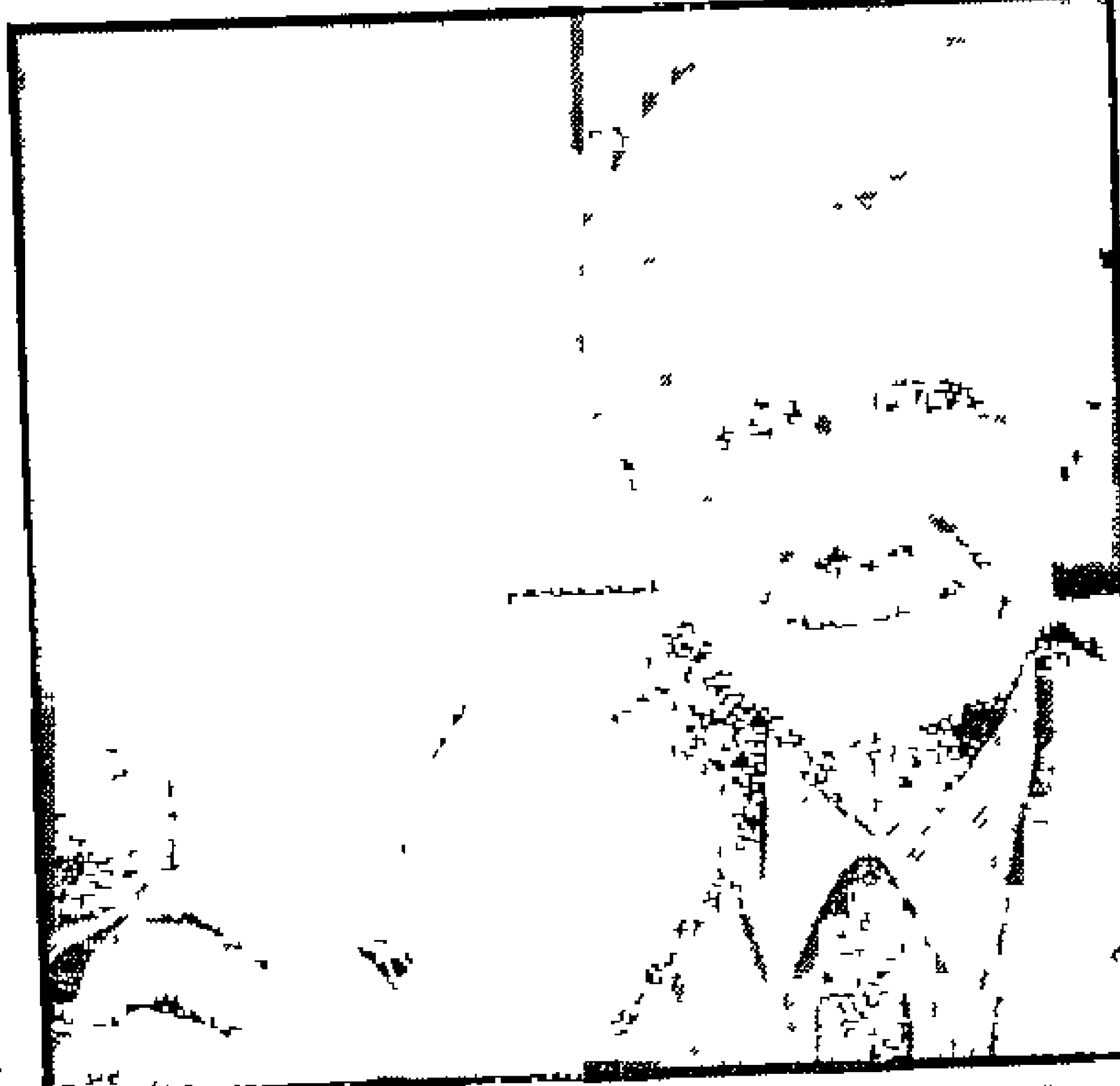
Coal is well placed to maintain its 47% hold on the energy market, particularly, while nuclear energy is in disfavour and hydro-electric capacity is limited Oil is no longer considered for power generation

Mr Sealey believes the chances are good that SA producers will regain markets Some customers made contact with traditional suppliers immediately their governments announced that sanctions were being reviewed

But he says they have established links with alternative suppliers who might be hard to displace

At the same time markets to which SA producers have had limited access have grown. Exporters will have to battle to regain their traditional market share

"The opportunities are there, but we have a long hard fight ahead of us," says Mr Sealey



BACK IN THE MAINSTREAM: Allen Sealey of Rand Mines

Price of coal rises in Vaal Triangle

Sowetan 17/4/91

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THE price of coal in the Vaal Triangle townships has gone up by R2 a bag, forcing residents to dig deeper into their pockets to keep warm this winter.

By JOSHUA RABOROKO

It shot up from R8,50 a 50kg bag to R10,50 at a time when most blacks are reeling under the escalating cost of living and face the biting recession and unemployment.

The assistant secretary of the Evaton/Sebokeng United Coal Association, Mr Sandile Govuzela, said the rise was the first in two years.

He attributed the increase to the closure of two coal mines in the area, the increase in the price of petrol, the rising cost of maintenance of vehicles and the high wage demands by employees.

Credit

The closure of the mines had forced coal merchants to travel long distances to fetch coal and railage was expensive, he said.

Coal merchants sold their products on credit and incurred extra expenses when they collected money.

A spokesman for the Chamber of Mines said none of the 103 coal mines represented by the chamber had closed in the past few years.

He could, however, not rule out the possibility of small mines not affiliated to them closing down.

France to boost SA coal imports

(215)

Star 18/4/91.

Star Foreign Service

PARIS — French financial and industrial circles have warmly welcomed the EC move ending more sanctions against South Africa

There are likely to be two main French initiatives — financial investment in South Africa, and the resumption of big SA coal imports

French financiers have gradually abandoned investment in black Africa, and earlier this year were looking at Eastern Europe and the Soviet Union.

Idle capital

An analyst said. "Problems there were too great, and there is therefore a large amount of potential capital lying idle. We now have an opening in South Africa."

France has a great need for South Africa's coal, which is cheaper than coal mined here

Imports, which were virtually halted four years ago, are expected to resume soon.

France still imports about 450 000 tons annually under contracts signed before the 1986 ban, but this total could quickly climb to five million tons annually and new contracts may be signed within the next month, sources say

Witbank Colliery profits fall 13 percent

By Derek Tommey (215)

Star 23/4/91

Witbank Colliery lifted turnover 18 percent in the six months to March to R569,4 million

But an 18 percent rise in rail tariffs, together with higher operating costs, an 11 percent increase in amortisation costs to R27,6 million, and a 27 percent increase in interest payments to R26,3 million, resulted in taxed profit falling 13 percent to R51,3 million, equal to 655c a share (756c)

Witbank is paying an unchanged interim of 210c a share

An extraordinary payment of R9 million after the cancellation of purchase agreement for capital equipment resulted in net income dropping to R42,2 million (R59,2 million)

Export tonnages rose 26 percent, mainly because of the inclusion for the full six months of the conribution from recently acquired Middelburg Mine

However, conditions in the inland market were difficult and the tonnage sold fell four percent

Capital expenditure was R76,4 million (year ago R397,8 million) and is expected to reach R111 million for the remainder of the financial year our police colleges

Witbank debt a weight on group

B/Day 23/4/91 (215)

ROBERT LAING

DEBT repayments by Rand Mines' Witbank Colliery for last year's acquisition of Middelburg mine outweighed the benefits of increased sales, causing the group's taxed profit to drop 13% to R51,3m (R59,2m) in the six months to end-March

While turnover increased 18% to R569,4m, working profit only rose 4% to R106,5m and investment income was virtually wiped out at R144 000 (R3,8m)

The first full inclusion of Middelburg mine's contribution in Witbank's results boosted the group's export tonnages by 26%, but Spoornet's 17,8% rail tariff increase and higher working costs squeezed profit margins, directors said.

Earnings fell to 693c a share from 756c and the dividend was maintained at 210c a share.

Despite its commitment to reducing its

□ To Page 2

Witbank

B/Day 23/4/91 (215)

□ From Page 1

debt, the group's long-term borrowings rose to R628,6m (R616,8m) and short-term liabilities rose to R187,6m (R146,3m) Directors said "the increased debt was partly timing related"

Capital expenditure in this period amounted to R74,6m (R397,8m) and capital expenditure for the remainder of the financial year is estimated at R111m (R73,1m)

The group's inland sales shrank by 4%, although sales to Eskom rose by 13% because of high burning rates at Duvha and Kendal power stations

No mention was made in the results of the planned rationalisation of its loss-making subsidiary, Welgedacht Exploration Company

The Middelburg acquisition from disinvesting oil company BP made Rand Mines the biggest exporter of coal through Richards Bay, giving it almost 25%, or 11,1-million tons, of the port's total capacity of 46-million tons

□ LIZ ROUSE reports that Anglo-Transvaal Collieries — whose sole investment is a 15,6% interest in Witbank Colliery — has raised its final dividend to 133c from 132c last year This brings the year's total distribution to 375c (1990 367c)

The company has also declared a final dividend of 10,64c (10,57c) on its participating preference shares, making a total of 30,07c (29,37c) for the year is seems justified in view of its conservative balance sheet and prospects for future growth as trade sanctions wither

Brian Thompson

FM 26/4/91.

GOLD FIELDS COAL (215)

BETTER PROSPECTS

The tide is turning for the SA coal exporters with the removal of sanctions under way, but investors should not expect fireworks from Gold Fields Coal (GF Coal) — or any of the other major coal companies — this year

Since mid-February the share price has

Continued →

FM 26/4/91 (215)

Activities: *Coal mining for sale on domestic and export markets*
Control: *Gold Fields of SA 61%, Vogels 14%*
Chairman and MD: *J G Hopwood*
Capital structure: *16,8m ords Market capitalisation R134m*
Share market: *Price 800c Yields 11,3% ondividend, 18,3% on earnings, p e ratio, 5,5, cover, 1,6 12-month high, 950c, low, 750c Trading volume last quarter, 34 000 shares*

Year to Dec 31	'87	'88	'89	'90
Coal Sales (Mt)	8,1	8,4	8,5	8,2
Turnover (Rm)	174	198	232	259
Taxed profit (Rm)	20,2	20,7	21,2	27,2
Earnings (c)	120	80	96	120
Dividends (c)	80	80	95	90

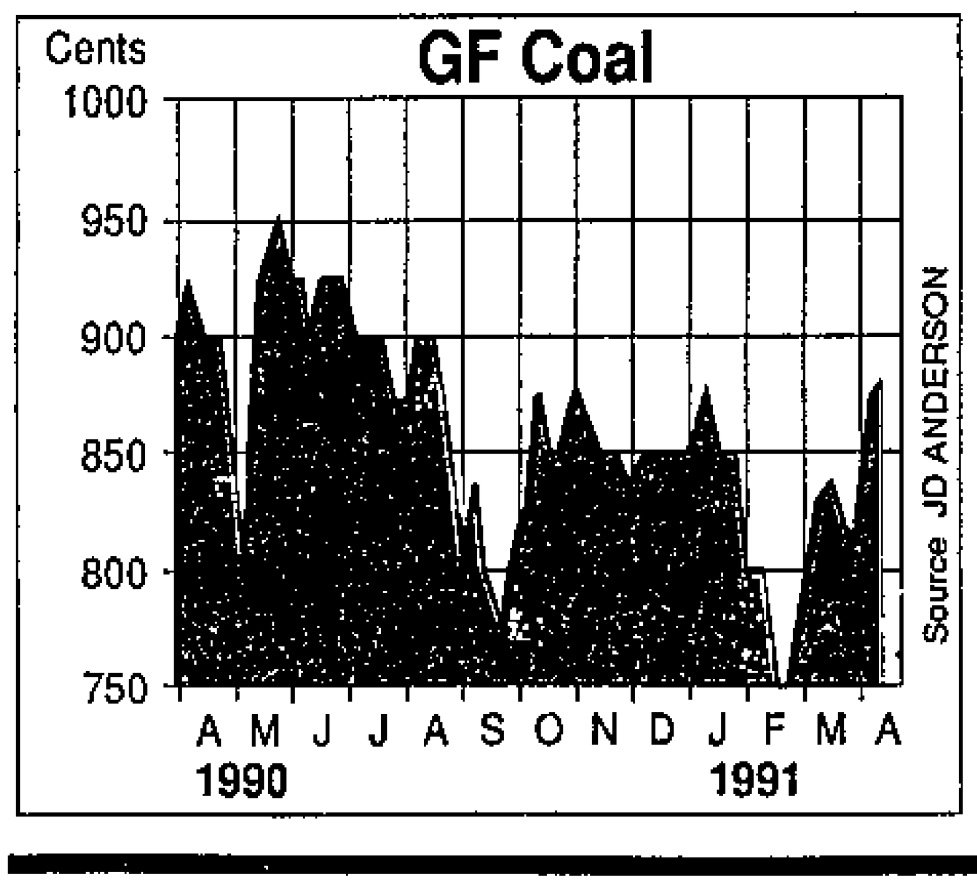
bounced back from its 12-month low of 750c But 1991 is going to be a tough year, as shown by the results for the March quarter, when taxed profit fell by 44% to R4m from the December quarter's R7,2m.

The domestic market remains in recession, while prices on international coal markets are soft because of oversupply This is largely a result of a resumption of normal levels of output from Australia, where long-running management-union disputes were settled in management's favour last year

Most of GF Coal's exports are low ash coal, sold through the Transvaal Coal Owners' Association (TCOA) to customers in Europe and Japan. Price increases negotiated for 1991 delivery rose on average by about 4% for European customers, while the Japanese managed to force the TCOA to take a $1/t cut in price Eroding this slim increase in dollar revenues is the persistent rise in working costs, fuelled by SA's inflation rate. There will be little relief from the rand, with the Reserve Bank continuing to support the currency

The Japanese Ministry of International Trade & Industry (Miti) has lifted sanctions on the SA coal exporters, though the benefits will only come through next year when, it is hoped, the SA sales teams will negotiate better prices by erasing the "political discount" on their sales Improvement in their bargaining position is already evident. The TCOA accepted the price cut in Japan but at the same time negotiated a reduction in contracted sales volumes to Japan because it can sell at better prices elsewhere.

While Denmark and France may also lift sanctions on coal, benefits will again be felt only in 1992 Exporters have largely committed their available coal on contracts at prices



settled in January

On the local market, Eskom continues to cut back on coal demand but the utility is relying increasingly on its new, more efficient stations, which means GF Coal is insulated from the cuts GF Coal has a 50% stake in the Matla Joint Venture supplying Matla power station, and the company's share of the profit rose to R20,5m from the year-ago R18,1m, though its share of coal sales dropped marginally to 5,2 Mt (5,4 Mt).

Chairman John Hopwood expects Matla will show a further increase in profitability this year but says GF Coal's overall profit will decline He believes the dividend should be maintained as the group cuts expenditure on fixed and other assets

That outlook should warn investors not to be over-optimistic In the medium term GF Coal will benefit from the expansion of the Richards Bay Coal Terminal (RBCT) from its present annual capacity of 44 Mt to 53 Mt However, the RBCT is not expected to attain a throughput of 53 Mt until 1995 — this year's throughput is estimated at 46 Mt — and GF Coal is already producing some of its additional entitlement. Greenside Colliery is producing more than its current quota of export coal, and Hopwood says the surplus is being sold to another RBCT exporter

Selling the coal directly on the export market rather than to other RBCT exporters will be more profitable, but some of expected growth in revenues is already in the accounts.

Brendan Ryan

End to ban sparks rise in coal shares

Star 13/5/91

By Derek Tommey

(215)

South Africans have been heavy buyers of coal shares since February — when the Japanese Ministry of International Trade and Industry (Miti) lifted its ban on new contracts

The prospect of increased sales to Japan at better prices has led investors to bid up the price of coal shares

In the past three months the JSE coal share index has risen 36 percent from 2570 to 3515

Coal company profits are expected to improve thanks to higher prices and sales

Because of import restrictions the Japanese have been paying less for SA coal than for coal from other countries. This should now stop.

But coal officials caution that they have no intention of engaging in major expansion projects

Facilities at Richards Bay, the main export port, are being extended This will lift capacity from 44 million tons a year to 54 million tons

But once this figure is reached exports will probably have reached their ceiling

Officials say that increasing exports beyond this level would need a major new investment, which the industry is not prepared to make.

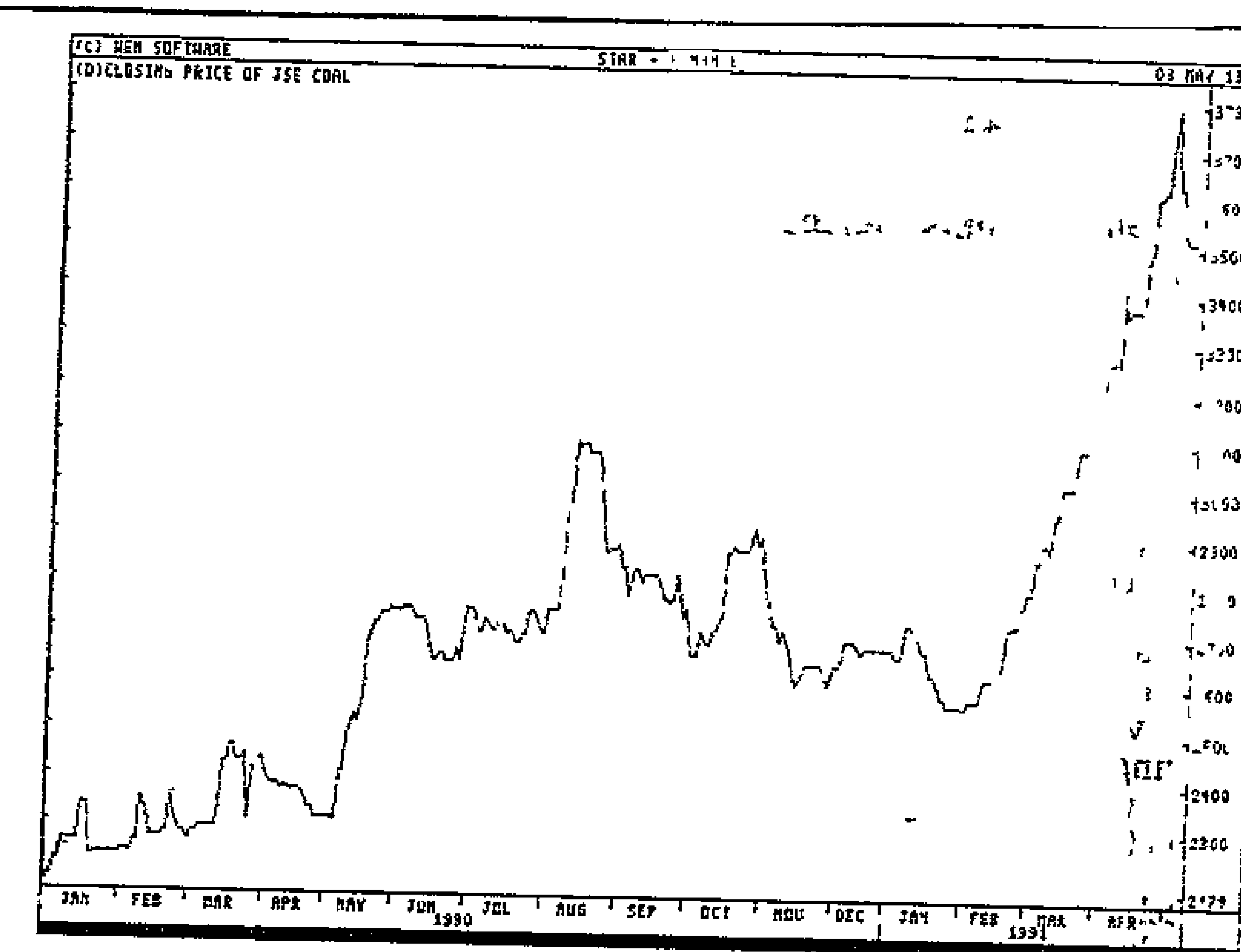
In the mini-coal share boom of the past few months the largest price rise has been recorded by Amcoal, the Anglo American producer.

Its shares have risen 37,5 percent — from 8 000c to 11 000c and are now on an historic dividend yield of 3,6 percent.

Shares in Trans-Natal, Gencor's coal producer, have risen 35 percent from 1 075c to 1 450c and now yield 4,3 percent.

Shares in the Rand Mines producer, Witbank Collieries, have gained 29,5 percent from 9 300c to 12 000c, while Anglo-Transvaal Collieries shares have risen 25 percent from 5 600c to 7 000c.

Investors will have to wait and see what effect Japanese direct investment could have on prices



Coal share index 36 percent higher since February

Local US laws limit return of investment

B/Day 15/5/91

PATRICK BULGER

US local government laws will restrict the return of US corporate investment to SA to a trickle, says an article in the May issue of the SA Foundation Review

The article, by Washington-based Investor Responsibility Research Centre (IRRC) senior analyst Witney Schneidman, says a relaxation of federal sanctions will not mean a return to the previous status quo, especially in the field of economic ties

The IRRC surveys show that there are 85 cities, 22 counties and 26 states in the US which have some type of sanction in place.

The measures include a ban on investing in companies with interests in SA, restrictions against using financial institutions that facilitate commercial transactions with SA and a prohibition on buying SA goods.

"While the pace of disinvestment has slowed to a crawl . many localities continue to introduce new sanctions legislation or toughen existing measures"

Other measures used to restrict economic ties with SA include a Los Angeles anti-apartheid contracting policy, a New York initiative to rate banks on their efforts to place anti-apartheid pressure on the SA government and the creation of "Shell-free zones" in the US

An IRRC survey of 73 publicly controlled money funds found that only 5,6% of total holdings had been subject to local disinvestment legislation Consumer boycotts have similarly not affected the sales of target groups.

"The same cannot be said of selective purchasing laws. These measures have forced many businesses to choose between doing business in SA or the US. Last year at least 10 companies severed their non-equity links, such as licensing and distribution agreements, in response to local contracting laws which penalise businesses having ties with SA," the article says.

Germans use more SA coal

B/Day 15/5/91

MATTHEW CURTIN

LONG-TERM prospects for SA coal exports to Europe were excellent, Trans-Natal senior marketing manager Gordon Osterloh said yesterday

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Germany, he ~~said,~~ was burning increasing amounts of SA coal as sanctions fell away and the cost of European supplies rose

Although there was an 18-million ton rise in the amount of steam coal consumed in the developed world in 1990, EC exports fell 16% and Polish exports by 10%, he said

Rising costs, particularly in Poland, were making European coal unattractive to local consumers.

SA exports to Germany grew by about 1-million tons in 1990 City councils which had refused to buy SA coal for power stations in protest at apartheid had now lifted restrictions for the first time for years.

A recent Coal Week International report said SA supplied between 2,5-million and 3-million tons of the 8-million tons imported by Germany in 1990

BDay 16/5/91

Better value at AT Coll

LIZ ROUSE 215

ANGLO-TRANSVAAL Collieries (AT Coll), whose sole investment is a 15,6% holding in Witbank Colliery, posted a small 4% rise in earnings for the half-year to March, but the value of its holding has shot up.

Taxed profit rose to R4,15m from 1990's R3,98m, equivalent to earnings of 246,4c a share (236,4c).

Increased dividend income of R4,2m (R4m) from Witbank Collieries was responsible for AT Coll's earnings rise.

The market value of the holding had risen to R107,8m on March 31 from R88,4m a year ago, thanks to the upswing in the coal sector of the JSE. That pushed up AT Coll's net asset value to 6 718c (5 503c) a share. The shares are currently trading at 7 000c.

Higher local sales stoke Amcoal fires

MATTHEW CURTIN (215)

HIGHER coal sales to Eskom offset a drop in exports and helped Anglo American Coal Corporation (Amcoal) to a 7,5% hike in year-end earnings

Coal and coke sales were 43,5-million tons against 43,2-million tons in financial 1990 Turnover increased to R1,82bn (R1,75bn), attributable earnings climbed R18m to R276m and earnings a share rose to 1 095,7c (1 025,3c)

The year's dividend has been increased to 425c from 385c.

Graham Boustred, who retired as chairman yesterday, said in a statement that export tonnages fell 6% because of lower spot sales in the first six months of 1990.

This combined with only limited dollar price increases in the period to squeeze export margins. B Day 16/5/91.

In-contrast, Amcoal's tonnage sales to Eskom rose by 3,6% or just over 1-million tons to 31-million tons as the electricity utility cut nuclear and hydro generation in favour of thermal power stations

Boustred said coal exports continued to be SA's largest foreign exchange earner after gold, with 1990 revenue totalling R3,8bn while export tonnage was almost 1-million tons up on 1989 levels at 47,4-million tons

But he warned that it was essential for SA producers "to avoid the pitfalls of over-production and consequent price collapse which have been apparent in a number of other commodities in recent years"

Anglo spends R900m to up coal output

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NCOS 16/5/91

From **DEREK TOMMEY**

JOHANNESBURG. — Anglo is to spend R900 million in the next 18 months expanding its coal production by 4,3 million tons a year to meet its export commitments.

This was announced yesterday by Mr W G Boustred, who retires today as chairman of Anglo American Coal Corporation

He said Amcoal's operating profit dropped 10,2 percent in the year to March.

But this was offset by increased investment income and a lower tax rate

This enabled the company to increase its attributable earnings 7,5 percent to R275,5 million, equal to 1095,7c a share

A final dividend of 287c a share has been declared, bringing the total for the year to 425c — an increase of 10,4 percent on last year

Mr Boustred said coal continued to be South Africa's second-largest foreign exchange earner after gold, earning R3,8 billion in 1990 — an increase of R206 million on 1989

● An excellent 12 percent increase in beer volume sales ensured that **SAB's** results for financial 1991 would hit the top end of market expectations Earnings a share were 18 percent up at 265c (225c), writes **Ann Crotty.**

A final dividend of 88c (76c) a share has been declared for a total of 118c (101c)

The volume improvement boosted profitability in the beer division and resulted in its contribution to group attributable earnings surging 26 percent to R402 million (R320 million)

The increase in contribution from other interests was a more pedestrian 9 percent — up to R309 million

The group plans to spend R1,5 billion on capex in 1992 — R1 billion of this will be spent by the beer division.

● A sharp decline in textiles and carpets depressed **C G Smith's** performance in the six months to March, writes **Jabulani Sikhakhane.**

The group reported a 6 percent growth in earnings to 400,6c (378,2c) and a dividend of 111c (105c)

Group turnover rose 15 percent to R7,88 billion, 71 percent of this coming from C G Smith Foods

But margins were under pressure and pre-interest profits rose 8 percent to R627,3 million.

Interest payments rose 15,5 percent to R131,3 million After slightly lower investment income at R42,4 million, pre-tax profit rose 6 percent to R538,4 million

A lower company tax rate — the charge was R184,4 million (R193,1 million) — boosted taxed profits 12 percent to R354 million.

After accounting for the shares of associated companies, retained earnings, which dropped R3 million, and outside shareholders' income, attributable income was up 6 percent to R188,2 million

● **Pretoria Portland Cement**, SA's largest manufacturer of cement and lime, has been able to increase its interim dividend by 7 percent from 42c to 45c in spite of difficult trading conditions, writes **Derek Tommey.**

Although pre-tax profit declined in the six months to March, a sharp cut in tax payments resulted in taxed profits rising 7,7 percent

Turnover in cash terms rose 5 percent to R377 million

Operating income dropped 7 percent to R79,7 million, while investment income fell 43 percent to R6,1 million Interest income was also down the possibility for rationalisation exists

AVF is a financial services operation without affiliation to a banking or building society group

I was asked not to print operations

AA Life is unlisted, but might come to the market

A quiet empire has been under construction for the past 10 years It is one of the best-kept secrets around

On your marks 215

OPPORTUNITY could knock for SA's coal exporters if German environmentalists have their way. 19/5/91

The British Mining Journal reports that the sharp price jump in Soviet oil in the early 1970s obliged East Germany to mine lignite or brown coal. Production reached 270-million tons last year

The problem is that the polluting sulphur content is 3% — more than 10 times the desired amount for clean fossil fuel Not only has the atmosphere been polluted but site reclamation has been neglected. The cost of restoring a single 60km² barren area could be a billion marks. S/Times (Bus Times)

"If the stricter environmental regime under a unified Germany means that lignite mining in Eastern Germany is to be phased out, plans to meet the 270 Mt shortfall by importing hard coal will have major implications for world coal trade"

Now Dutch eye SA coal imports

BDay 20/5/91

AMSTERDAM — The Dutch electricity board SEP was considering buying SA coal once all sanctions against the country were lifted, the Dutch newspaper Financiele Dagblad reported on Friday

The move would reverse a decades-old voluntary embargo on SA coal by electricity producers in the Netherlands, a spokesman for the industry's jointly owned body Samenwerkende Electriciteits-Produktiebedrijven told the newspaper

EC sanctions against SA, some of which were lifted last month, included bans on imports of gold coins and iron and steel, but not coal

Figures from the privately funded Shipping Research Bureau based in Amsterdam show that of 50-million tons of coal exported by SA last year, nearly 24-million tons were bought by EC countries.

SEP uses no SA coal, but other Dutch businesses do Imports in 1990 rose 23% to 1,4-million tons.

215

The Shipping Research Bureau says in its latest newsletter that import figures for the Netherlands exceed the country's domestic needs It says the balance is blended to disguise its origin and re-exported to Britain and France, which both deny their public utilities use SA coal

Germany, one of SA's biggest trading partners, increased its annual imports of SA coal by 76,5% in 1990 to 4,5-million tons, the newsletter says — Sapa-Reuter

COMPANIES

Coal outlook bleak in the short term

215

B Day 20/5/91

ANDREW GILL

COAL mines face a grim short-term future with margins squashed by a poorly performing coal price and spiralling working costs, say industry members

At a time when SA mines are looking forward to the opening of new markets and the lifting of sanctions, there is little optimism that the bottom line will be given a significant boost.

Latest mine results have shown some staid performances at best and earnings forecasts for the coming year are for flat or lower earnings

Frankel Max Pollak Vinderine analyst Kevin Kartun said on Friday that the positive outlook on coal mines in the marketplace had been largely sentimental rather than based on fundamentals

Witbank Colliery MD Nilo Zolezzi said the past two years had seen sliding margins as revenues had failed to keep touch with inflation A relatively strong rand — abating only in the past few months — added to the squeeze.

While much had been made of an expected 2%-3% increase in demand over the next few years, he said this was likely to be mopped up by increasing supplies from Indonesia and Venezuela.

Generous price increases were unlikely, he said

Although there was no general price level for the various coal products, he said a fair average working cost per ton of coal was about R80, with production costs accounting for R45 and transport about R35

At a benchmark price of $31,50, the mines are getting a skimpy return on their product

The exchange rate has been the wild card in the industry's forecasts, with Reserve Bank Governor Chris Stals's firm policy damping any hopes of real earnings increases

An average exchange rate of R2,60 to the dollar in 1990 put significant pressure on the bottom line. Under Zolezzi's scenario of an R80-a-ton cost, the margin would have been less than R2

However, the recent weakening in the rand has helped boost margins At R2,80 to the dollar, mines are making about R8 a ton

Although more comfortable, mines are watching that margin disintegrate in the face of rising working costs The weaker rand has exacerbated this because of its negative effect on the inflation rate

Kartun said some encouraging aspects were emerging, despite pessimism about the short-term outlook The political discount that SA producers had been subject to was disappearing, the rand had weakened and railage costs had gone up only 8% this year compared with about 17% last year

He said the impending lifting of sanctions was unlikely to have any major effect on export volumes because of the full capacity at Richards Bay Upgrading capacity from 46-million tons to 53-million tons would be completed only in 1995.

In the longer term the country would have to exploit new, and less viable, coal fields, as the gold mining industry had already done

SA's exploited reserves have virtually assured a margin of profitability for mines because of the low production costs.

Other reserves are of a lower quality and working costs are likely to be higher

RAND MINES (215) FM 24/5/91

BITING THE BULLET

Interim results from Rand Mines are the lull before the storm Earnings have held up well, but are set to drop sharply in the second-half because of heavier interest payments and lower earnings from coal

Coal is all the house has going for it at present, as the interim figures make painfully clear. It contributed R77,6m of Rand Mines' attributable earnings of R104,4m for the six months to March. Head office came in a poor second, contributing R16,8m from management, financial and investment services. Platinum contributed R1,4m, which looks paltry until compared with gold's R1m contribution while property added R6,3m, base minerals came through with R5,1m and the house lost R3,9m on its Lotzaba forestry and timber operations

What happens in the second half will depend largely on how much debt Rand Mines will have to carry following the disposal of Barmine to Impala Platinum (Implat) As expected, given its powerful bargaining position, Implat seems to be getting things its own way and looks like acquiring Barmine either completely or largely free of debt.

Continue →

Fm 24/5/91 (215) FOX

Rand Mines says negotiations are at an advanced stage and, if agreement is reached, it will assume about R200m of Barmine's debt A reorganisation of Barmine's capital would follow, resulting in a write-down of about R430m in the value of the house's platinum investments On the balance sheet at March 31, that would reduce NAV by R29 to R66 a share Chairman Dammy Watt says the plan is to reduce debt as rapidly as possible by selling certain assets which he will not specify

"We have a short-list of underperforming and noncore assets which can be sold but there will be no fire-sale and we will sell when we feel market conditions are right," he says "That could take longer than six months, which is why we have warned shareholders the total dividend for the 1991 year could be cut by as much as 50%."

That uncertainty makes predictions on second-half earnings difficult Reaction from some analysts is the 50% cut is unlikely but dividends could easily be 30% down Following publication of the results one analyst has dropped his estimate on earnings from 1 442c to 1 300c and is looking for a total dividend of 320c

So what can Rand Mines sell? Candidates include Lotzaba Forests, the group's portfolio of listed investments, the vanadium interests and Winterveld Chrome. Watt says chrome is a core mining asset that would not be sold outside the group, but that does not appear to rule out a sale to Middelburg Steel and Alloys. If necessary, perhaps Rand Mines could sell some assets into 71%-held Witbank Colliery and also lighten its stake

Witbank Colliery's interim earnings were 13% down and may not do much better for the full year The group is feeling the effects of its high gearing because of debt taken on to buy into Middelburg Mine

Rand Mines is biting the bullet and will emerge the better for it. But its medium-term future will be totally dominated by coal, as will its long-term prospects in the absence of a large-scale commitment to exploration work looking for new ventures.

Brendan Ryan

Coal promises to lift economy

ARGUS
(215) 25/5/91

Weekend Argus Correspondent

BOOMING export earnings from coal promise to lift the South African economy out of recession before the end of the year.

Coal exports are so buoyant that certain observers believe the current and prospective beneficial spinoffs will largely offset the negative impact of a stagnant gold price and an inflation rate which stubbornly refuses to come down

A measure of the coal industry's highly encouraging outlook is the 40-percent advance in the JSE's Coal Index since early February.

While domestic coal consumption has remained flat, improved export prices are helping to boost SA's foreign exchange earnings and ensuring steady labour complements at the coal mines at a time when the gold mines are laying off workers

Several factors are combining to heighten the nation's coal prosperity

- The Japanese Ministry of International Trade and Industry has lifted its ban on new coal contracts with SA producers
- Price-discounting to counter sanctions is steadily disappearing
- The rand has weakened against the US dollar At a rate of R2,50, most exporting collieries operated at a loss at the current R2,80 these collieries, the majority of which are highly geared to the rand coal price, are generating vigorous earnings.
- The coal industry lost 25 percent of its export markets in 1986 when, among others, the US, France and Denmark closed their doors to SA. The industry is poised to regain many of these markets.
- The programme to refurbish and upgrade the Richards Bay Coal Terminal will be completed by the end of the year, at which time its capacity will rise from 45million to 53million tons.

Coal share prices 'due for correction'

215

ANDREW GILL

THE JSE's coal sector is looking over-bought in the short-term and shares should show a relative correction, stockbroking firm Davis Borkum Hare (DBH) suggests in an analyst's report.

This follows growing caution in the market that the heady rises in coal share prices since the beginning of the year may have been overdone. BDay 28/5/91

The index has risen 37% since the end of 1990 and has far outstripped the overall index in performance.

DBH coal analyst Manny Pohl said the superior performance of the sector since the beginning of 1991 was based on improved fundamentals for the industry arising from the easing of sanctions and the expansion of facilities at the Richards Bay Coal Terminal. Recent depreciation of the rand also boosted share prices.

The perception that Soviet strikes were causing a substantial shortage appeared to have been overplayed, he said.

The signing of the agreement between the Kremlin and Russian Federation president Boris Yeltsin, which grants the mines full economic independence to sell their coal directly to other regions and abroad, would mean a change in market sentiment and cause share prices to soften a little.

SA set to make R34-m inroad on Aussie coal exports

(215)

Argus 28/5/91

The Argus Foreign Service

MELBOURNE — South African moves to abolish apartheid will cost Australia's mining giant, CRA, some R34 million in lost coal sales, the company revealed.

CRA said it had been told by its principal buyer, the Electric Power Development Company of Tokyo, that it intended to take a substantial amount of South African coal.

Initially it planned to buy 400 000 tons from South African producers, Ermelo Mining and Witbank Mining which normally would have come from Australia.

The national daily, the Australian, said this heralded the opening of a big assault by South Africa on Australian export markets.

It added "Pretoria's moves to abolish apartheid and end international economic sanctions against it will give the mineral-rich nation a chance to develop its great potential in Asian coal, gold and iron ore markets."

The newspaper said South Africa had a huge price advantage over Australian coal, being able to market its product R10 a ton cheaper.

It quoted a Japanese coal industry spokesman as saying "there is definitely a mood in Japan to look at South Africa"

Meanwile it reported from The Hague that Holland's Association for Energy Producers (SEP) has confirmed its intention of importing South African coal as soon as all sanctions have been lifted.

The firms operating under SEP decided 10 years ago to stop using South African coal as a protest against apartheid.

However, despite the ban, the Rotterdam-based Shipping Research Bureau revealed that the Dutch import of coal from South Africa had increased over the past few years — as much as 22 percent in 1990 alone.

The SRB believed South African coal was being re-exported as "Dutch" coal to France and Great Britain where bans on using South African coal also exist.

New comprehensive gas-from-coal study

B/Day 29/5/91. (215)

ROBERT LAING

SA might never build another synfuels plant unless government changes its mind on assistance, but the National Energy Council (NEC) has just completed one of the world's most comprehensive studies on competing gasification processes

The 15-month study of gas-from-coal technologies was presented to representatives of SA's heavy industries yesterday The study of 112 coal gasification projects around the world was produced by a group of local and foreign experts under the auspices of the government's NEC and a German engineering firm Industrial Machinery Supplies (IMS)

The researchers listed what they believed to be the 11 best available methanol-from-coal technologies, but they expressly did not address the question of economic viabilities A later report is expected to cover that The 11-best list included the Lurgi process, which AECI and Amcoal had hoped would form the core of their still-born methanol project All of the 11 methanol technologies, the report said, could produce gas for electricity generation along with chemical feedstock by-products such as ammonia, mixed phenol, crude diesel and naphtha

IMS GM Hugh Brown said the aim of the study was to provide recommendations for a local gasification policy AECI, Engen, Sasol, Eskom, JCI, CEF and the IDC contributed to the report

An Eskom engineer believed that if SA's environmental regulations were tightened the electricity utility might consider switching to gas-fired generators The alternative would be to spend about R1bn at each of the country's coal-fired power stations to control sulphur emissions

The research team found that secrecy led gasification project designers into common mistakes

Team member and US risk management consultant William Tuppeny said there was little to show for the financial support provided by governments.

"Of the 112 methods, all of which received state funding, only about 30 went beyond the design phase, and half of those failed to work properly"

Notices link Frigate with Scharrighuisen

215

30/5/91

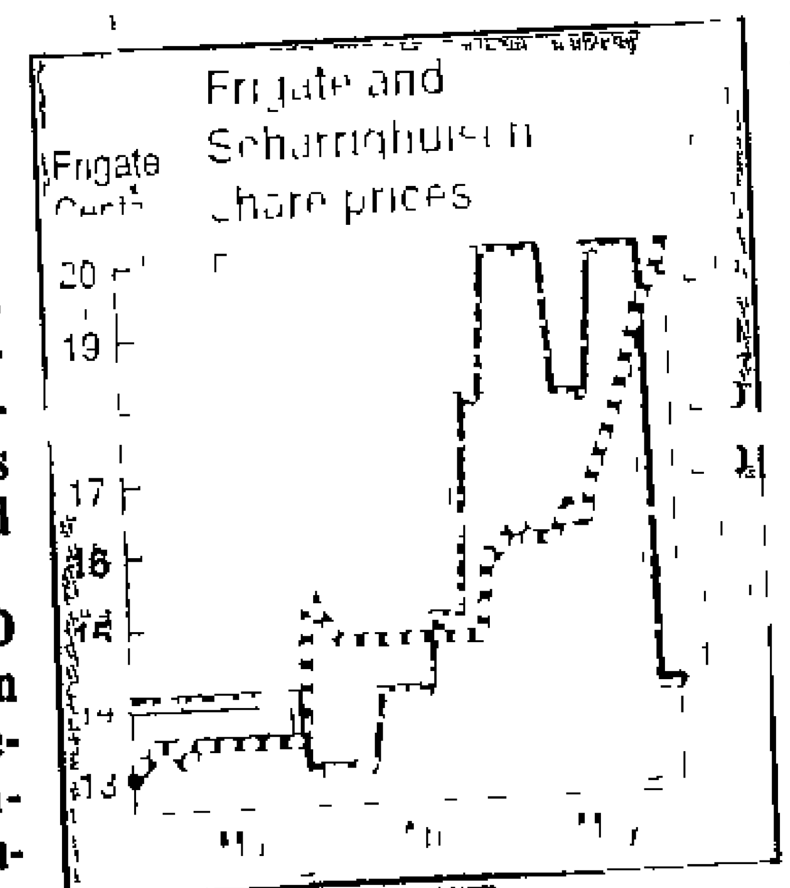
ANDREW GILL

CAUTIONARY announcements placed by The Frigate Group and Scharrighuisen Holdings earlier in the week were linked, Scharrighuisen director Henk Scharrighuisen said yesterday.

The two concerns are involved in the coal mining industry and both operate plant hire and contracting businesses.

Frigate is one of the country's largest independent coal producers and Scharrighuisen contracts out to opencast mines.

Scharrighuisen declined to comment on the nature of the association other than saying negotiations were underway between his company and Frigate.



Graphic FIONA KRISCH Source I-NET

Frigate MD and chairman Mike Stanley declined to comment on the cautionary announcements, issued on Monday which warned shareholders negotiations were under way which, if successfully concluded, could affect their share prices.

An analyst said earlier in the week any link-up was likely to be on the contracting side of the businesses as "this may be an area of rationalisation".

Frigate recently had cash flow problems and was bailed out by a R5m injection from Finansbank in July last year.

COAL EXPORTS

FM 31\5\91\ (215)

NEW COAL TERMINAL MOOTED

Following deregulation of the coal export market earlier this year, Portnet is carrying out a feasibility study looking at the construction of a second coal export terminal at the port of Richards Bay Portnet spokesman Louis Nieuwoudt confirms this, as do two of the companies interested in using such a facility, Messina Investment and Duiker Exploration.

Warnings about the dire financial consequences an oversupply of coal would have on SA coal exporters have been sounded by Richards Bay Coal Terminal (RBCT) chairman Allen Sealey and former Amcoal and RBCT chairman Graham Boustred.

The RBCT, under Boustred, played a leading role in blocking a similar proposal several years ago It will not be able to do so again Deregulation has resulted in the export allocation system being scrapped, and has turned the market into a free-for-all for those companies able to get the coal out of the country.

Portnet embarked upon the study after being approached by several coal companies interested in the project, including one or more of the present members of the RBCT. The identity of these companies has not been confirmed. However, industry sources say they include Gold Fields of SA (GFSA) Kangra Holdings and Agip are also thought to be involved

Gold Fields Coal chairman John Hopwood denies he is looking at participation in a new terminal. However, this does not rule out GFSA's involvement through its New Business division, which runs separately from the house's operating arms, New Business GM Peter Janisch declines to comment

Sasol may also be interested Its new Syferfontein opencast colliery at Secunda will have several million tons of spare capacity when it reaches full output of 7 Mt/year in 1993. Sasol communications manager Jan Krynauw says: "Export of some of the coal to be produced at Syferfontein is being investigated Though various possibilities are being considered, we feel it is premature to speculate about it now."

Hard details on the size and cost of the proposed terminal are not available, but Messina MD Danie Kirsten says the minimum guaranteed annual throughput needed for Portnet to take the project seriously is 4 Mt This volume has already been found

The terminal could be larger, because of spare capacity on the Richards Bay rail line — the reason for Spoornet's interest in the project The line can handle 65 Mt/year though additional rolling stock and locomotives would be needed to shift this volume Expansion of the RBCT's capacity to 53 Mt will be completed this year but it may not actually move that volume of coal until about 1995 That leaves about 12 Mt of spare capacity.

"Messina has been approached and we have indicated we are interested," says Kirsten. "I think this terminal has a good chance of going ahead."

Not surprisingly, the major coal exporters are against the development Comments Sealey "I think it is crazy for SA Inc to invest money in another terminal to export additional coal that would reduce prices received by the entire industry and lower the total foreign exchange receipts earned by the country from these exports," he says.

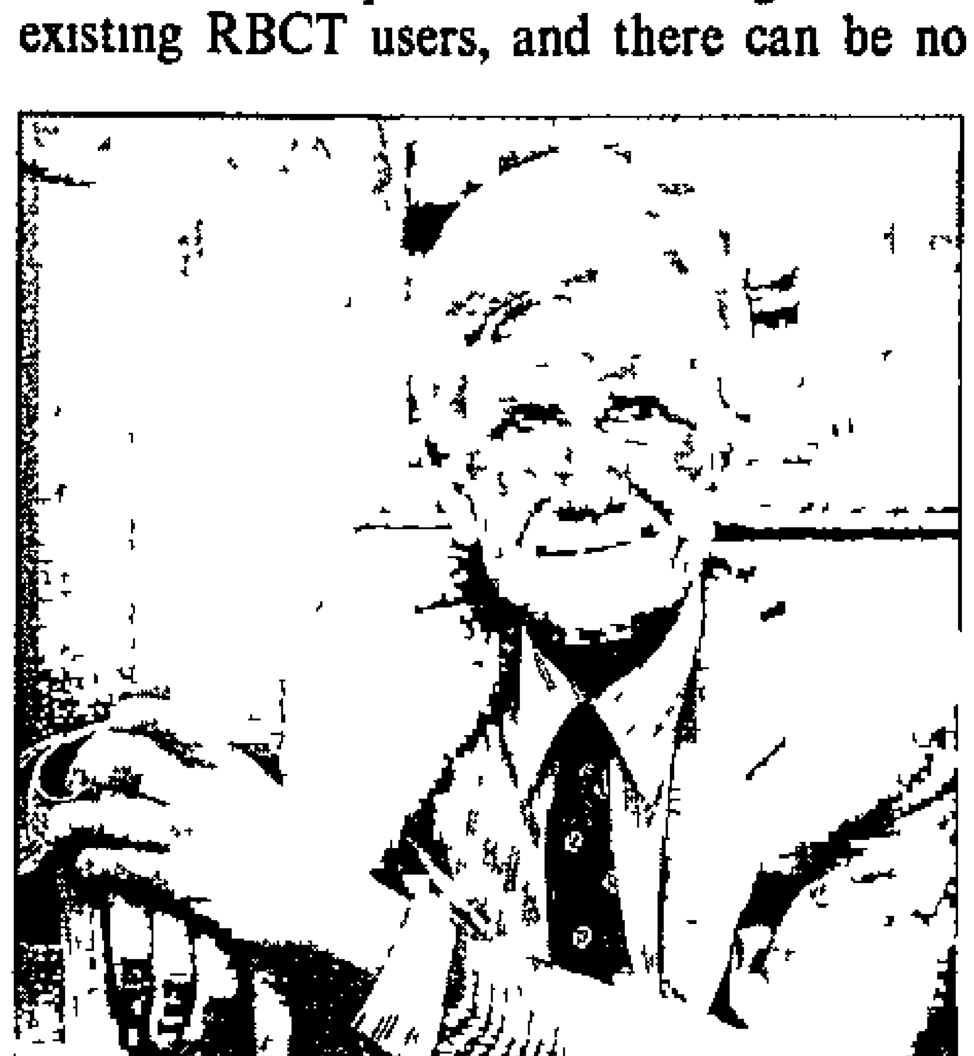
"Profit margins are now so thin, we cannot see how any company can get an adequate return after allowing for the capital costs involved in setting up a new terminal We are not making an adequate return at present based on historical costs The market is finely balanced and exporting large extra tonnages will knock prices down. Still, it's a free market and we cannot prevent people from coming in"

Sealey estimates the cost of building a new terminal at a minimum of R70/t of annual capacity That would put a R700m price tag on a 10 Mt facility

In his final review as Amcoal chairman, Boustred warns: "It is essential the SA coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that have been apparent in a number of commodities in recent years"

Letting newcomers use the line is bound to cause friction between Spoornet and the RBCT, which has been paying off the cost of the line through the rail tariffs charged A key issue is what tariff the newcomers will pay Sealey says the rate has to be at least the same as the present tariff charged to the existing RBCT users, and there can be no question of Spoornet subsidising new coal exporters at the expense of existing ones.

Brendan Ryan



RBCT's Sealey . *the market is finely balanced*

TIMES MEDIA LIMITED FM 31/5/91

DIVERSIFYING ASSETS

After a virtual doubling in the share price since the 12-month low of 650c was set last June, Times Media Limited (TML) has posted a 3% dip in EPS — but the dividend was increased by 11%, as the group's cash generating capacity remains strong and the balance sheet is highly liquid

The accounts for the year to end-March also emphasise the growing importance of the group's effective 19% stake in M-Net, whose price has quadrupled since the share was listed last August

At the financial year-end, M-Net's price had risen to 260c, lifting the market value of TML's stake to R72m, an excess of R60,7m over the cost At the present price of 395c, the value has increased to R109m, giving an excess of some R98m over cost and is equivalent to roughly 500c per TML share. Shareholders' funds at March 31 stood at R89,4m (including copyrights and titles valued at R14,3m), with investments at book value. On that basis, the M-Net investment now easily represents the group's biggest single asset (though the *Sunday Times*, a major profit generator, is valued very conservatively).

The balance sheet shows cash and short-term investments of R58m, about the same as at the end of the 1990 year Financial director Lawrence Clark notes that about R38m of this will be used to finance payment of the final dividend (R8,8m) and tax (R29m) However, the group does not have large working capital or capex requirements; profit is converted rapidly into cash It would be reasonable to expect that the liquid assets would be topped up during the current year by an amount roughly equivalent to the year's after-tax profit — unless other significant investments are made

Last year's R2,3m increase in interest income, which rose to R11,2m, provided a useful cushion against the pressures at trading level Turnover advanced by only 12% — mainly owing to acquisitions, increased advertising rates and higher cover prices

Operating margins were narrowed by the depressed state of the advertising market in the print media (the group's advertising volumes were significantly lower); by operating losses in the tender business, and by a substantial increase in the provision required for the staff incentive bonus scheme

Continue →

Broker likes coals

215 By JULIE WALKER

1992 ST Times (Buss Times)

COAL shares should be bought because export tonnages will increase from 1992.

Providing this does not depress the coal price, the purchase of Amcoal and Wit Colls in particular are recommended by Manny Pohl of stockbroker Davis Borkum Hare.

Dr Pohl says the superior performance of coals since the beginning of 1991 was based on improved fundamentals arising from the easing of sanctions and expansion at Richards Bay Coal Terminal. The rand's depreciation has also helped.

He believes that the $5 a ton discount SA's producers were obliged to accept has largely disappeared.

With Europe going into summer and the Soviet Union granting control of the coal mines to the Russian Federation, Dr Pohl believes the prices of coals could ease and that they will show a relative correction in the short term.

But the real internal rate of return of 2% now offered by coals means that they still offer value and should be bought in this time of consolidation for long-term growth.

Colliery blaze 'out in 4 months'

215

By Jacqueline Myburgh

Star 4/6/91

The underground fire in Witbank's abandoned Uitspan Colliery should burn itself out within the next four months, according to the Department of Mineral and Energy Affairs

The department recently completed a project to smother the nine-year-old underground blaze, but there are still about 400 ha of coal mines burning in the Witbank area, consulting engineer Johan Wagner said.

He was speaking at a function in Witbank yesterday during which responsibility for the maintenance of the Uitspan mine was officially handed over to the town council by Mineral and Energy Affairs Minister George Bartlett

Witbank Town Council will now have to maintain the measures taken by the Department of Mineral and Energy Affairs and Mr Wagner to smother the fire, which has been raging since 1982.

The railway line to Maputo, agricultural land, and coal and clay reserves were threatened by the blaze Pollution and acid mine drainage increased alarmingly

To prevent the fire spreading, a type of "dam wall" had been built of non-combustible material and the entire burning area — about 40 ha — covered with a metre-thick compacted-earth blanket to cut air to the fire, Mr Bartlett said

The measures had provided permanent protection for the Maputo railway line, prevented further loss of coal and clay reserves, and effectively controlled the seepage of acid mine water. Air pollution would eventually be eliminated, he added.

Mr Wagner said the mine would have to be monitored by the town council because there may be a certain amount of earth movement He also advised regional monitoring

Two Lonrho companies' results slide

215

B/Day 7/6/91

BRENT VON MELVILLE

TWO Lonrho group companies, Coronation Syndicate and Tweefontein United Collieries, have reported depressed results for the half-year to end-March

Income from Coronation slid 8,3% to R940 000 (R1m) on reduced interest and income from Zimbabwean non-resident bonds, which slipped 14% to R738 000 (R858 000). Tweefontein's income dipped slightly to R1,4m (R1,5m), leaving attributable profits at R962 000 (R1,0m).

Coronation earnings were down to 55,4c (58,4c) a share, with a 55c (57c) dividend outlay Tweefontein posted earnings of 14,2c (15,3c) a share and a dividend of 14c (15c).

Net asset value per share fell to R16,86 (R23,78) for Tweefontein, and to 121c (162c) for Coronation, trading at R13,50 and 80c respectively

German demand for SA coal surges

(215) ~~(84)~~ CT 10/6/91

Own Correspondent

JOHANNESBURG. — SA's coal exports to Germany and to Belgium shot up by 76% and 42% respectively in 1990, as exports to the EC as a whole rose 16%, the Netherlands-based Shipping Research Bureau (SRB) said in its latest quarterly report.

However, although EC sanctions were lifted earlier this year, analysts last week repeated their warning that the immediate prospects for SA coal exports were less than rosy.

The research bureau said German demand for SA coal had been fuelled by increased power-station usage combined with lower local production and longer than expected shut-downs at nuclear power stations.

But the report described the 23% hike in Dutch use of SA exports as "mysterious", given public statements last year from local utilities that they did not intend to use SA coal.

The bureau said the Dutch might have re-exported the coal as "Dutch coal" to France and Britain whose power utilities had also boycotted SA coal.

The bureau said SA's exports to the EC rose from 21m tons to 24m tons in 1990, while total exports rose 6% from 47m tons to 49m tons.

In contrast, SA exports to the Far East — a market targeted particularly by SA producers after European sanctions were imposed — dropped in 1990, with Taiwan (5,5m tons) overtaking Japan (5m tons) as SA's largest customer in the area. Exports to Japan, Hong Kong, and South Korea, as well as to Israel and Turkey, fell.

Anglo American Coal Corporation (Amcoal) deputy MD James Campbell said at the weekend the bureau figures were too high, but reflected the general trend for SA exports in 1990.

He said the short-term opportunities for increasing SA exports to Europe and Japan were not good. Most EC buyers had placed their coal orders for 1991. Demand was static and the main option for SA producers was to take market share from competitors.

Campbell said that strategy risked a price war, which would cut into the already narrow margins, at a time when SA producers were in a phase of large scale investment in the export market. Amcoal, Trans-Natal and Witbank Colliery werespending R855m, R500m and R66m respectively on expanding production and export potential.

He said that although Japan had relaxed sanctions on SA coal imports, sanctions had cost SA the initiative in playing a role in Japan's cautious forward planning. SA producers might have to wait until new power stations were commissioned in 1993/4 before improving their share of the Japanese market.

Irish & Menell Rosenberg analyst Dave Russell said yesterday several factors militated against SA coal producers sustaining the rise in exports. International supply and demand was "extremely tight".

He noted that Amcoal chairman Graham Boustred and Witbank Colliery chairman Allen Sealey had warned loudly of the dangers of flooding the market with SA coal and driving the price down.

Russell said practical problems of increasing SA exports through the Richards Bay coal terminal — whose current capacity was 48m tons with an upgrading programme to 53m tons under way — were also important.

The imposition of sanctions had put the synchronisation of raising the capacity of the terminal, the rail links and rolling-stock out of kilter with each other.

Spoornet had upgraded the railway to 63m tons capacity, in line with coal export expansion plans conceived before sanctions bit, but was yet to reap the rewards of their its. Meanwhile, rolling stock capacity was now only 47m tons a year, with a 2m-ton increase by the end of the year.

Coal exports to Germany soar

B/Day 10/6/91. (215)

MATTHEW CURTIN

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☐ To Page 2

Coal exports

B/Day 10/6/91 (215)

☐ From Page 1

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MacPhail takes the conservative view

B/Day 11/6/91.

BRENT VON MELVILLE

DIRECTORS of coal merchant MacPhail have a tough act to follow if they intend to improve on a five-year compound growth in return on shareholders' equity of 41,9%.

But not many would bet against still bigger and better things from MacPhail. The group last year produced its sixth consecutive set of record results with a 21,7% improvement in earnings a share

However, the annual review suggests that there are factors which may mitigate against MacPhail accelerating its growth into a 7th year. Chairman Terry Rolfe, who quietly took over the chair after the resignation of Ivan Posniak in the second half of last year, warns that 1991 will be difficult.

He bases any growth on realistic and practical strategic planning, as well as on the skills of the management team.

CE Sid Weintroub says it will be a challenging year, but figures the group can capitalise on its expanded depot network and the expected improvement in the metallurgical industry (215)

He says directors are confident that earnings per share will increase in 1991.

South Wits forges ahead

Bday 12/6/91

(215)

MATTHEW CURTIN

MINING exploration company South Witwatersrand's success in bringing its Brits chrome and Middelburg coal mineral rights to account flew in the face of investor disillusionment with mining in SA, chairman Nic Stavrakis said in his annual statement

Stavrakis said South Wits's market value had plummeted 80% in the past year, reflecting "a massive vote of no-confidence by investors in the future of mining in SA", especially in capital-intensive gold mining He said South Wits's tangible assets stood at three times the R4,8m raised when the company was listed in 1988.

South Wits had sold its chrome rights on a 250ha site near Brits for R4,4m to European consortium Fermter Holding AG on April 10 The company retained a 7,5% share of all precious metals on site.

South Wits had given the go-ahead for the establishment of the New Uitkyk colliery near Middelburg The mine would at first produce 50 000 tons of coal a month, doubling production after a year The colliery's contribution to the company's pre-tax earnings would be "substantial"

Southern Platreef Mining (Southplats), the former South Wits subsidiary listed on the JSE last July, made considerable progress in exploration of its nickel, copper, and platinum venture near Potgietersrus, northern Transvaal Although proven reserves were not as extensive as first drilling results indicated, the grades and metallurgical recoveries of nickel and copper were "very high".

Stavrakis said foreign investment in new SA mining ventures was deterred by an absence of attractive tax incentives and impeded by new mineral rights legislation

AMCOAL

LOOKING EXPENSIVE

(215) FM 14/6/91

EXPORTS ARE EXPANDING, BUT PROFIT MARGINS HAVE BEEN ERODED

After the rerating of the share since the beginning of this year, investors are unlikely to be greatly encouraged by Amcoal's 1991 performance

Though the dividend was increased by a tenth and attributable earnings were higher by 7,3%, the operating profit was actually down by R47m, or 10% The earnings advance was achieved largely because the group's effective tax rate dropped from 54,2% to 48,7%

Amcoal received an income tax credit of R18,4m (compared with R21,3m in the previous year) because of the drop in the tax rate on coal companies from 56% to 54,5% It expects a "significantly" larger credit this year, when the rate should fall to 50,88%

A more important influence on the group's effective tax rate, however, was the deferral of tax benefits of R95m, compared with R13m in the previous year In March last year Amcoal changed its policy of accounting for deferred tax to the comprehensive liability method — whereby deferred tax benefits, which arise from capital expenditure allowances, are recalculated each year — to reflect the effects of changes in the rate of tax

Amcoal's operating performance suffered from lower export earnings, caused mainly by squeezed export margins — modest price increases were eroded by the exchange rate, railage rates and mine working costs — as

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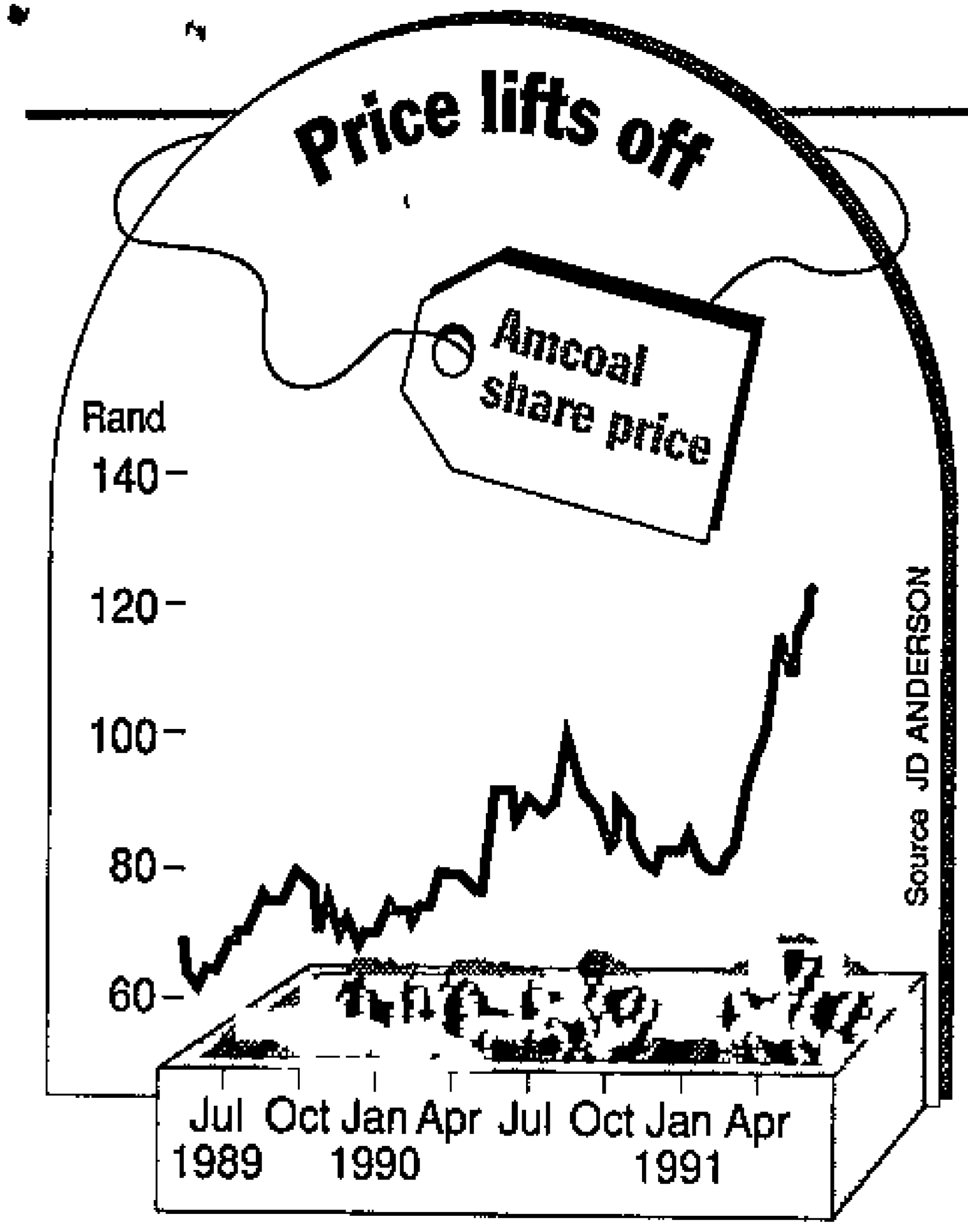
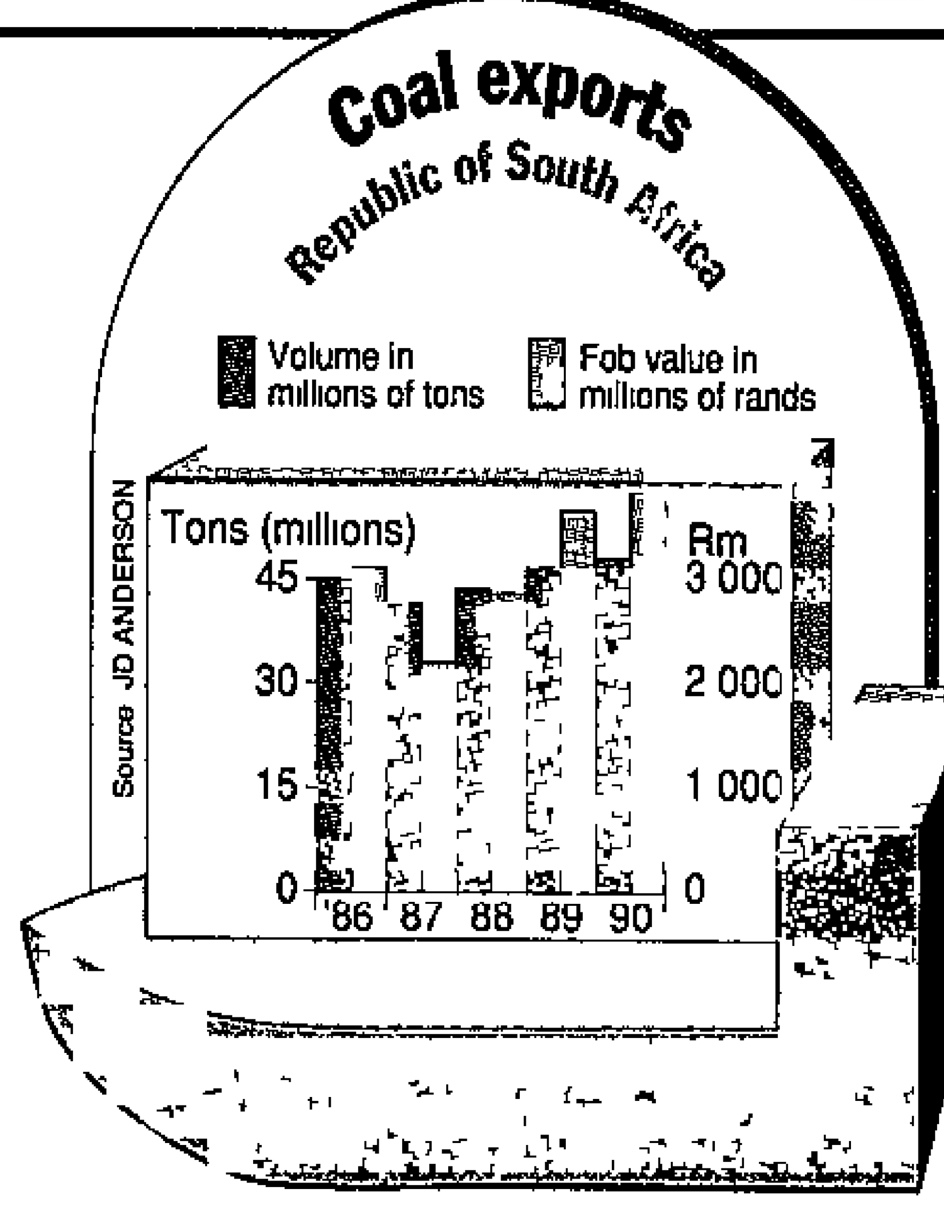
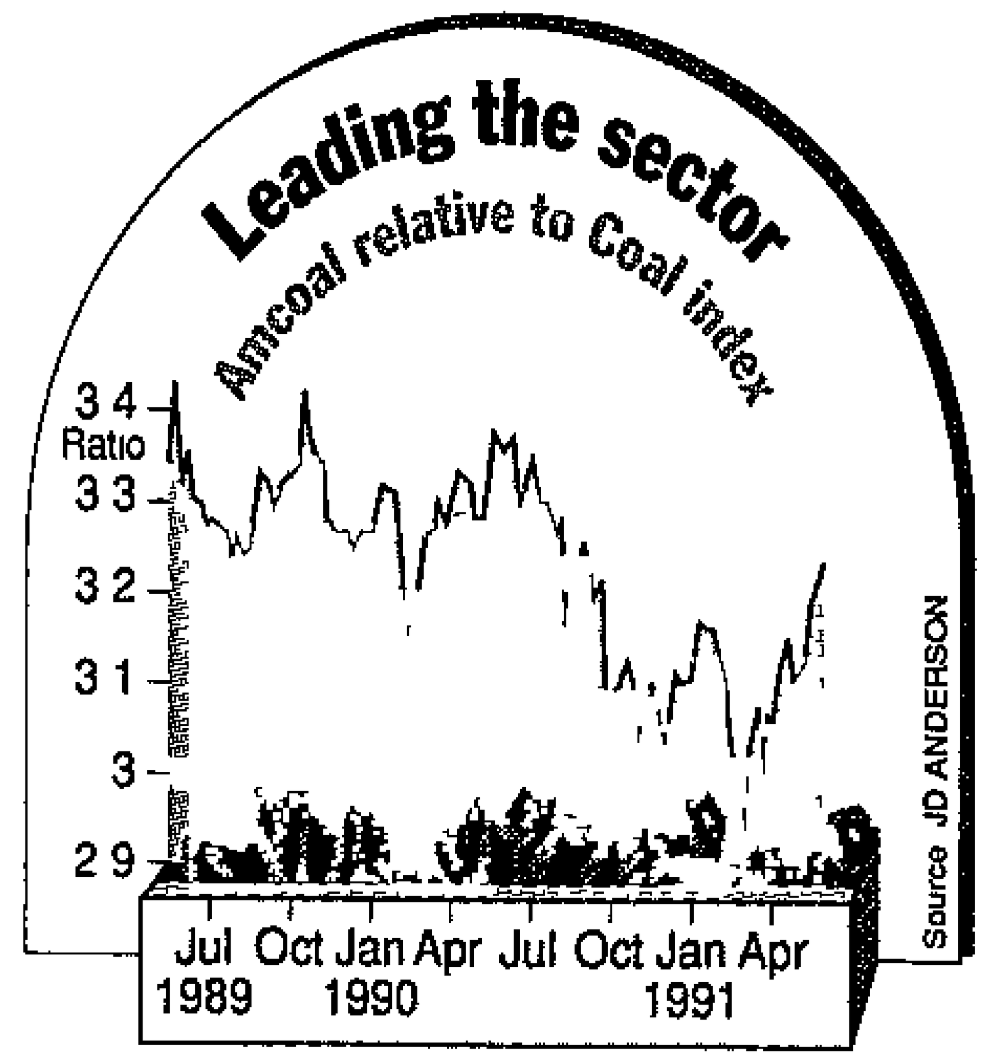
Fm 14/6/91 (215)







well as a 6% fall in export sales volumes Exports declined to 9,9 Mt from 10,5 Mt in the 1990 year because of lower spot market sales in the first half of the financial year, when Amcoal refused to sell at the low spot prices then on offer The group's spot sales were 1 Mt down during the first half, but some of the lost ground was made up in the second six months

The problems experienced on the spot market offer an interesting view of Amcoal's marketing policy In general, the major SA exporters aim to maximise the proportion of their exports which are sold on long-term contracts It seems that Amcoal nonetheless had considerable flexibility in its export sales last year.

Industry executives claim that the Richards Bay Coal Terminal (RBCT) is substantially sold out for this year — much of the 46 Mt expected to be exported has been committed through contracts Yet, during its 1991 financial year, Amcoal either deliberately held back more than 10% of its export volumes for sale on the spot market, or was unable to place this volume of coal through contract sales

The adverse effects on the group's earnings underline the crucial importance of the export market to profitability It more than offset higher profit from Eskom

Amcoal increased sales to Eskom to 31 Mt from the previous year's 29,9 Mt, thanks to growth from its expanding New Vaal and New Denmark collieries But the growth is slower than expected, and it may not be enough to compensate for the dropping export profit margins

Former chairman Graham Boustred notes that, through agreement with Eskom, New Denmark has not yet installed its full planned production capacity of 10 Mt/year and has instead been limited to 7 Mt/year New Vaal is almost complete, but the colliery has not yet been required to produce at levels approaching full output Construction of New Cornelia colliery will only start towards the end of the Nineties

Still, with sanctions being lifted, overall conditions for the SA exporters are looking better This is Boustred's swansong review as chairman — he handed over the reins to David Rankin on May 15 — and he reports "More SA coal was satisfactorily placed in longer-term power utility markets than in any year since sanctions were first imposed "

Hopefully the improvement will continue Amcoal is spending R900m on expansion of its export collieries Other major exporters, such as Trans-Natal, are also involved with large capital programmes

Manny Pohl, coal analyst at Davis Borkum Hare, notes that the strong growth in steam coal consumption and trade over the past five years is expected to continue in the early Nineties, spurred on by high electricity growth rates (especially in the Pacific Rim), and the use in Europe of cheap imported coal rather than expensive local coal Pohl adds that coal sales to Europe will, therefore, continue to grow, facilitated by the planned expansion of RBCT, which will increase throughput by 9 Mt, to 53 Mt/year

However, the deregulation of coal exports by government raises the possibility of the market being hit by an oversupply of SA coal if various newcomers enter the business Portnet has confirmed it is considering a second coal export terminal Interested potential users include Gold Fields of SA, Kangra, Agip, Messina, Duiker and Sasol.

The development is one that Boustred — as chairman of RBCT — has opposed in the past He now cautions "It is essential that the coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that have been apparent in a number of other commodities in recent years "

He points out that this year new coal projects in Indonesia and Venezuela come on stream He expects overall demand should rise enough to accommodate this extra production, but the impression given is one of a market finely balanced between supply and demand

Despite expected higher export volumes, higher Eskom revenue and what looks like a larger tax break, Boustred still forecasts unchanged earnings for the current financial year — essentially because he expects a further erosion in export profit margins.

The share has had a tremendous run since February this year, rising 50% to a 12-month high of R124 Boustred may well have been cautious in his forecast but the outlook for the coal companies, while improved, is still no bed of roses

But the stock market has been taking a more bullish view, and some analysts are more positive on the profit outlook Simpson McKie's Hennie Vermeulen, for example, is forecasting EPS in 1992 will rise by about 12% to 1227c, and the dividend by 10,6% to 470c In 1993, he forecasts a 15,7% rise in EPS to 1419c with a similar advance in the dividend, to 540c

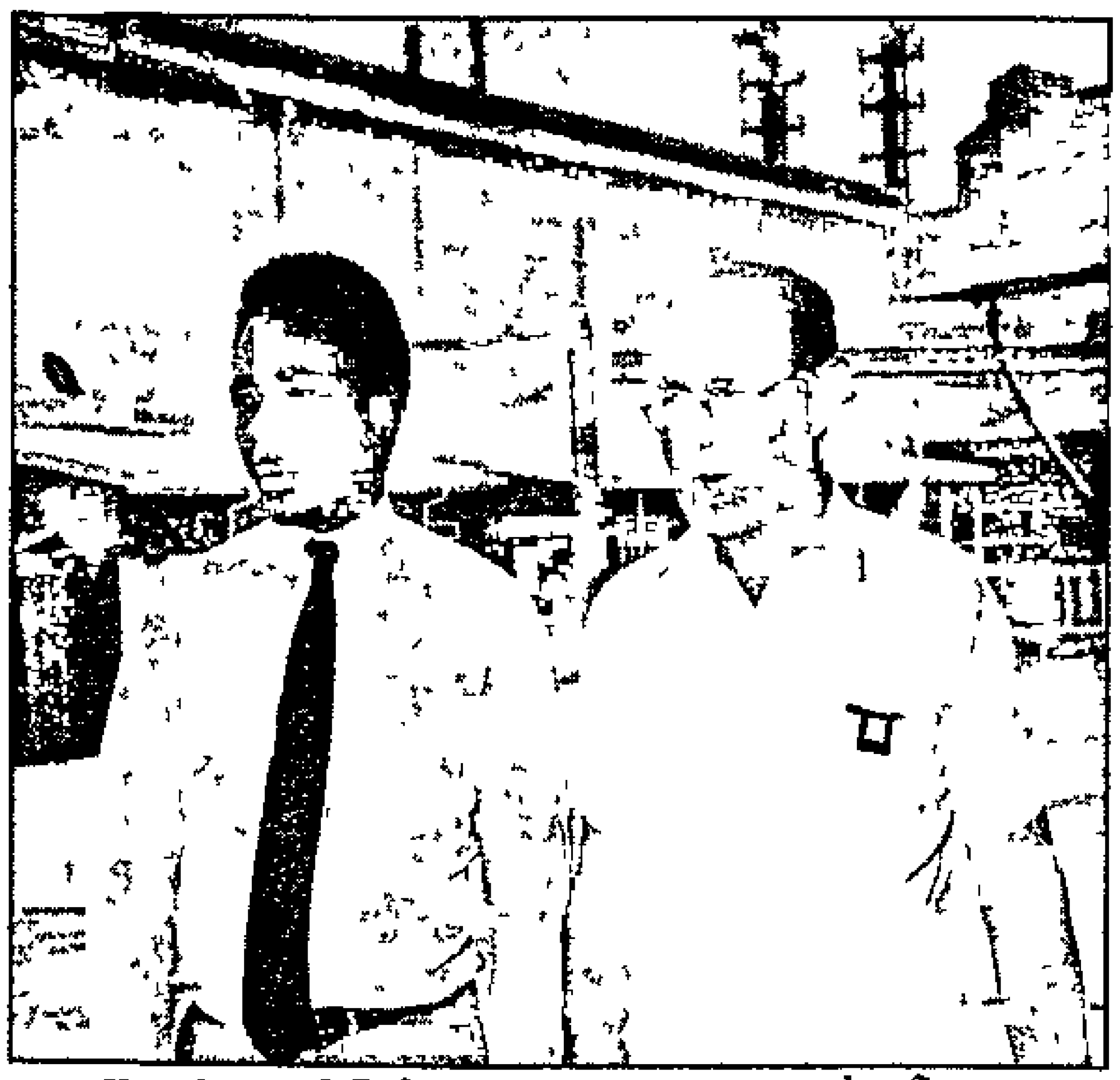
Apart from the more optimistic views being taken on export prospects, both earnings and the share price could benefit significantly if there is any renewed depreciation of the rand

Still, in my view the share is now looking expensive, and there is no point in chasing it at these levels, though Amcoal remains SA's premium coal producer and should prove worth holding for its long-term prospects

Brendan Ryan

	Year ended 31 March 1990 Tons millions	%	Year ended 31 March 1991 Tons millions	%
Domestic	32,60	75,6	**33,53**	77,1
Eskom	29,88	69,3	**30,95**	71,2
Industrial	1,11	2,6	**1,14**	2,6
Metallurgical	1,18	2,7	**1,05**	2,4
Coke	0,35	0,8	**0,32**	0,7
Anthracite	0,08	0,2	**0,07**	0,2
Export	10,53	24,4	**9,93**	22,9
Metallurgical	1,95	4,5	**1,92**	4,4
Steam coal	8,18	19,0	**7,72**	17,8
Coke	0,12	0,3	**0,07**	0,2
Anthracite	0,28	0,6	**0,22**	0,5
Total	43,13	100,0	**43,46**	100,0

Source AMCOAL



Ngcobo and Delany .. *putting out the fires*

draw our labour."

Once they saw matters differently and did become involved, it took seven months to set up the first meeting, which drew together chiefs from surrounding areas Urged on by Cosatu, the businessmen persisted, aided by close links with police drawn into the forum Violence has since died down in the areas from which they draw their labour, and their forum, now involved in discussing transport and community-related issues, has developed into a regional economic planning body

Employers who have become involved in peace efforts advise that to appear to be sympathetic to a particular group is self-defeating. If an employer is perceived as biased, the opposing group will be suspicious and may refuse to meet with him.

Gerry Delany, human resources manager of SA Tioxide, at Umbogintwini, says the present cycle of violence in the area began in 1989. Thabo Ngcobo, industrial relations manager at the same company, says unrest consumed the Maritzburg and Durban townships, and it now scourges the coastal areas and the Richmond area

Ngcobo says: "What began as a struggle for political dominance has become so complicated I don't believe that if leaders of political parties said today they want peace, that it would filter quickly down to the grassroots The meeting between Buthelezi and Mandela in January is an example they called for peace, but there was no response from the grassroots "

Delany says such calls are "like trying to stamp out a fire by stamping out one clump of grass " In Natal, he adds, the violence initially seemed to involve attacks on the homes of individuals because they "belonged to the wrong political persuasion Then it seemed to degenerate into hit-and-run attacks on individuals People were killed in the night or disappeared Political activists on both sides were targeted "

The Transvaal has followed a similar pattern and now seems to be in the second phase described by Delany.

In late 1989 and early 1990, SA Tioxide realised employees were sleeping in the bush at night, too terrified to go home The company discussed the matter with shop stewards but realised that if it was alone in taking a stand, its workers could be victims of violence

So Delany approached the Institute for a Democratic Alternative for SA for advice. Out of that came meetings with Cosatu and other employers already working on the issue A business contact group or peace forum was established in the area "with an emphasis on restoring respect for the rule of law "

A Pinetown businessman who is now involved in peace forums comments: "The biggest problem workers and employers have is the lack of (violence-related) arrests People on my work force have been murdered and nothing happens The police tell us it is almost impossible for them to do their job, because witnesses refuse to come forward because of intimidation."

Ngcobo says it is essential "to replace confidence in the rule of law People see no arrests are made, so revenge becomes a major element in continuing violence "

It may be, too, that the belief that no one will be arrested for murder, arson or public violence is in itself a strong element in the continuing violence How else to explain the limits on violence in factories in contrast to the widespread township violence?

SA Tioxide, Delany says, would come down heavily on any employee who behaved aggressively at work — a common view throughout industry However, this refers to the potential for community-related conflict between political groups on the shop floor Strike-related violence, which has increased recently, is more problematic and often harder to monitor The tendency is nonetheless for employers to take a hard line when violence becomes a factor in strikes, an attitude supported by industrial courts.

The contact group that Delany and Ngcobo are involved in has a three-phase crisis intervention plan The first is to contact the police when they hear of potential conflict, or that it has broken out The police have compiled a list of emergency contacts.

The second step is to encourage follow-up investigations and arrests And the third is practical support to employees — such as transport to remove them from violence-torn areas, or financial assistance to relocate or rebuild a burnt-down house Employees are never asked about their political affiliations; and Ngcobo says companies should look at the physical or socio-economic causes of violence rather than the political ones.

Any businessman caught in the middle, in other words, has to stay there — ideologically speaking Except where crime is involved, he needs to render quick, charitable assistance to employees regardless of their affiliations, and he must be seen to be committed, in a non-partisan manner, to the quest for a wider peace Contact with the police is balanced by contact with the community.

All parties can then meet in forums centred on politically neutral businessmen. Out of this comes the demonstration effect, on a small scale, of what has yet to be achieved at a national level. ■

AMCOAL

LOOKING EXPENSIVE

(215) Fm 14/6/91

EXPORTS ARE EXPANDING, BUT PROFIT MARGINS HAVE BEEN ERODED

After the rerating of the share since the beginning of this year, investors are unlikely to be greatly encouraged by Amcoal's 1991 performance.

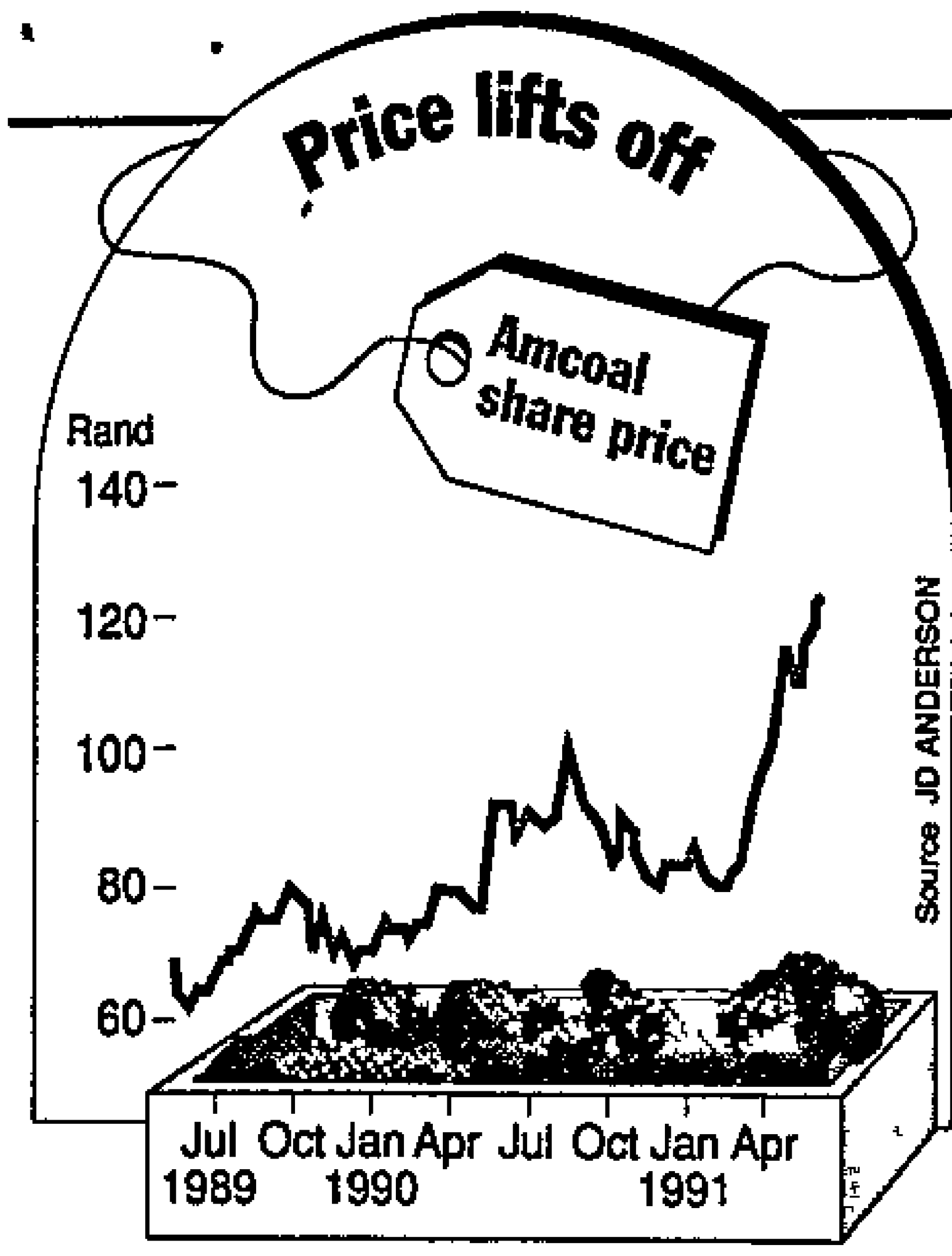
Though the dividend was increased by a tenth and attributable earnings were higher by 7,3%, the operating profit was actually down by R47m, or 10% The earnings advance was achieved largely because the group's effective tax rate dropped from 54,2% to 48,7%

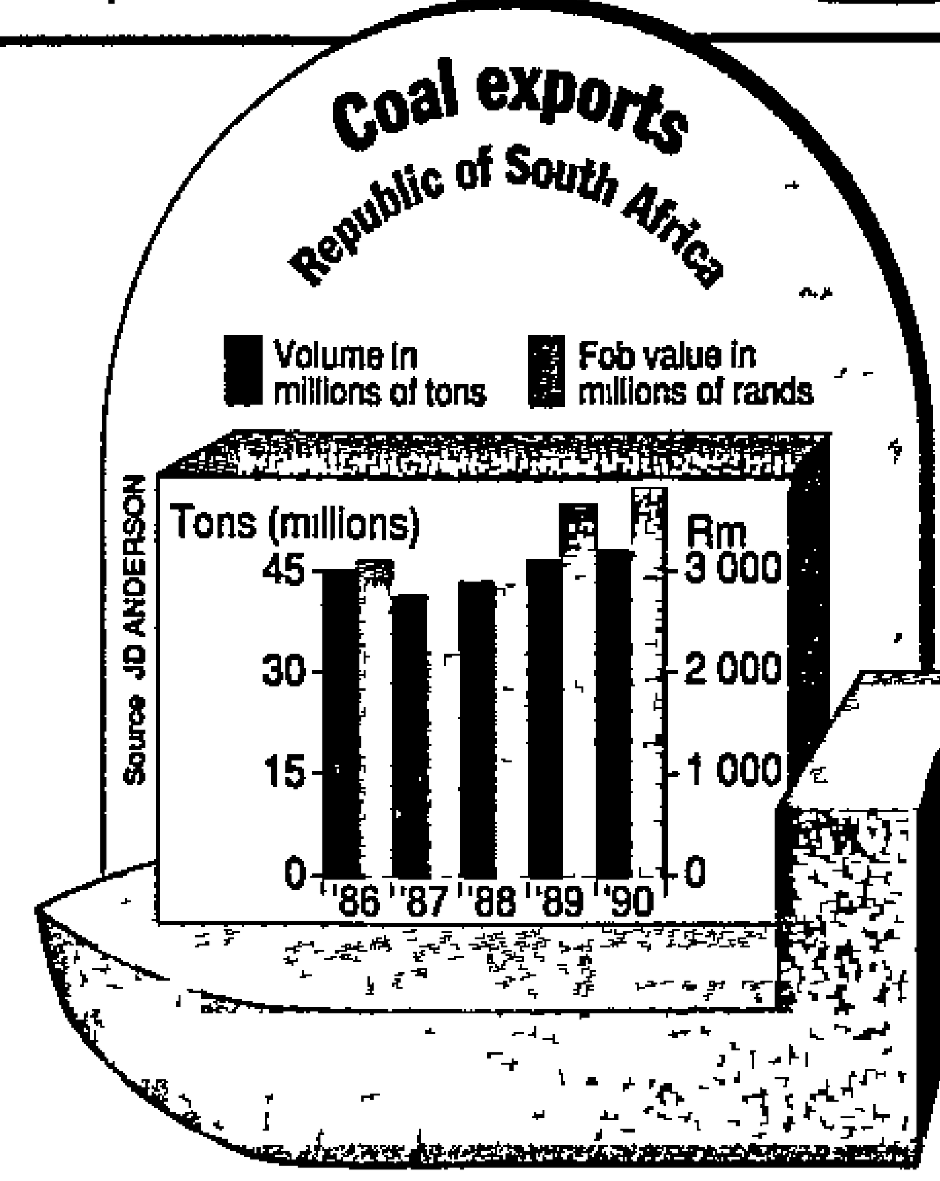
Amcoal received an income tax credit of R18,4m (compared with R21,3m in the previous year) because of the drop in the tax rate on coal companies from 56% to 54,5% It expects a "significantly" larger credit this year, when the rate should fall to 50,88%.

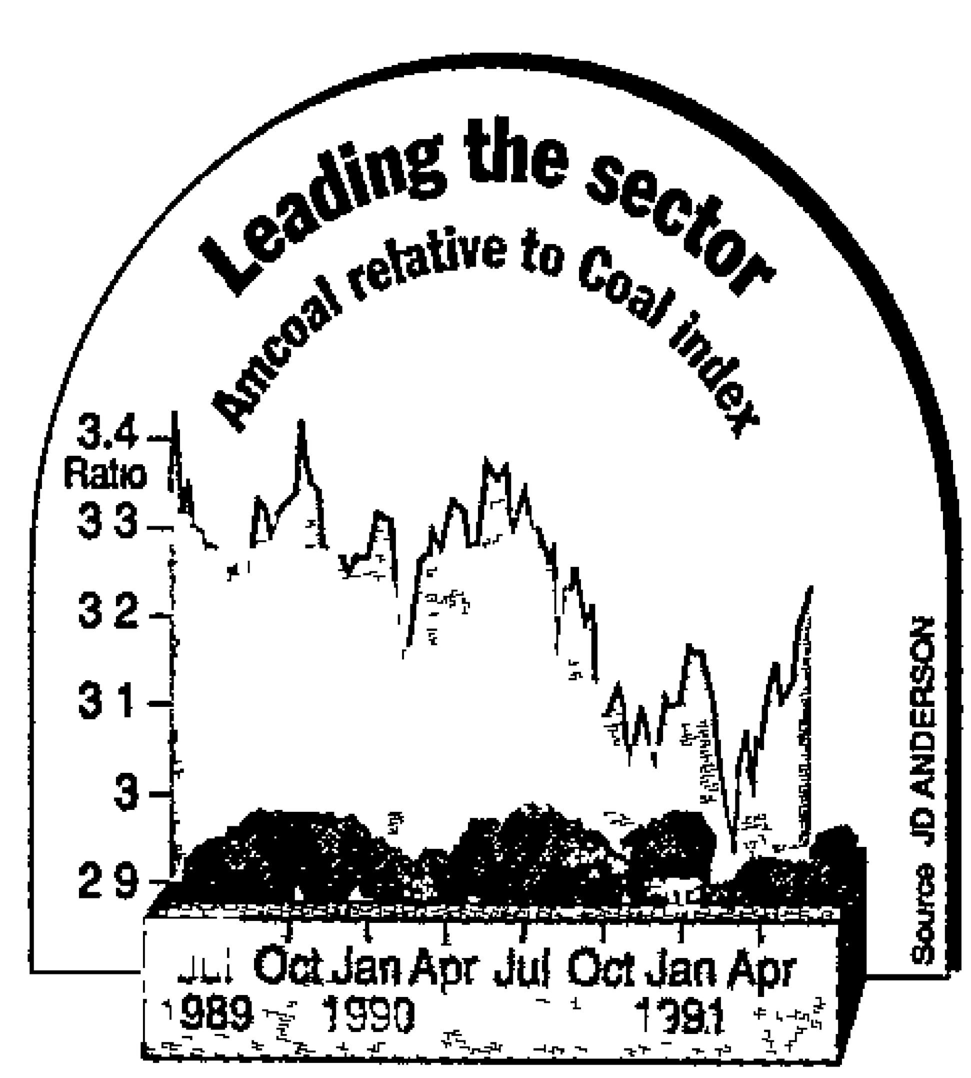
A more important influence on the group's effective tax rate, however, was the deferral of tax benefits of R95m, compared with R13m in the previous year In March last year Amcoal changed its policy of accounting for deferred tax to the comprehensive liability method — whereby deferred tax benefits, which arise from capital expenditure allowances, are recalculated each year — to reflect the effects of changes in the rate of tax

Amcoal's operating performance suffered from lower export earnings, caused mainly by squeezed export margins — modest price increases were eroded by the exchange rate, railage rates and mine working costs — as

continued







well as a 6% fall in export sales volumes Exports declined to 9,9 Mt from 10,5 Mt in the 1990 year because of lower spot market sales in the first half of the financial year, when Amcoal refused to sell at the low spot prices then on offer. The group's spot sales were 1 Mt down during the first half, but some of the lost ground was made up in the second six months.

The problems experienced on the spot market offer an interesting view of Amcoal's marketing policy In general, the major SA exporters aim to maximise the proportion of their exports which are sold on long-term contracts. It seems that Amcoal nonetheless had considerable flexibility in its export sales last year.

Industry executives claim that the Richards Bay Coal Terminal (RBCT) is substantially sold out for this year — much of the 46 Mt expected to be exported has been committed through contracts. Yet, during its 1991 financial year, Amcoal either deliberately held back more than 10% of its export volumes for sale on the spot market, or was unable to place this volume of coal through contract sales.

The adverse effects on the group's earnings underline the crucial importance of the export market to profitability. It more than offset higher profit from Eskom

Amcoal increased sales to Eskom to 31 Mt from the previous year's 29,9 Mt, thanks to growth from its expanding New Vaal and New Denmark collieries. But the growth is slower than expected, and it may not be enough to compensate for the dropping export profit margins

Former chairman Graham Boustred notes that, through agreement with Eskom, New Denmark has not yet installed its full planned production capacity of 10 Mt/year and has instead been limited to 7 Mt/year New Vaal is almost complete, but the colliery has not yet been required to produce at levels approaching full output. Construction of New Cornelia colliery will only start towards the end of the Nineties

Still, with sanctions being lifted, overall conditions for the SA exporters are looking better. This is Boustred's swansong review as chairman — he handed over the reins to David Rankin on May 15 — and he reports. "More SA coal was satisfactorily placed in longer-term power utility markets than in any year since sanctions were first imposed "

Hopefully the improvement will continue Amcoal is spending R900m on expansion of its export collieries Other major exporters, such as Trans-Natal, are also involved with large capital programmes.

Manny Pohl, coal analyst at Davis Borkum Hare, notes that the strong growth in steam coal consumption and trade over the past five years is expected to continue in the early Nineties, spurred on by high electricity growth rates (especially in the Pacific Rim), and the use in Europe of cheap imported coal rather than expensive local coal. Pohl adds that coal sales to Europe will, therefore, continue to grow, facilitated by the planned expansion of RBCT, which will increase throughput by 9 Mt, to 53 Mt/year.

However, the deregulation of coal exports by government raises the possibility of the market being hit by an oversupply of SA coal if various newcomers enter the business Portnet has confirmed it is considering a second coal export terminal. Interested potential users include Gold Fields of SA, Kangra, Agip, Messina, Duiker and Sasol

The development is one that Boustred — as chairman of RBCT — has opposed in the past. He now cautions. "It is essential that the coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that have been apparent in a number of other commodities in recent years "

He points out that this year new coal projects in Indonesia and Venezuela come on stream. He expects overall demand should rise enough to accommodate this extra production, but the impression given is one of a market finely balanced between supply and demand.

Despite expected higher export volumes, higher Eskom revenue and what looks like a larger tax break, Boustred still forecasts unchanged earnings for the current financial year — essentially because he expects a further erosion in export profit margins.

The share has had a tremendous run since February this year, rising 50% to a 12-month high of R124 Boustred may well have been cautious in his forecast but the outlook for the coal companies, while improved, is still no bed of roses.

But the stock market has been taking a more bullish view, and some analysts are more positive on the profit outlook. Simpson McKie's Hennie Vermeulen, for example, is forecasting EPS in 1992 will rise by about 12% to 1227c, and the dividend by 10,6% to 470c. In 1993, he forecasts a 15,7% rise in EPS to 1419c with a similar advance in the dividend, to 540c.

Apart from the more optimistic views being taken on export prospects, both earnings and the share price could benefit significantly if there is any renewed depreciation of the rand

Still, in my view the share is now looking expensive, and there is no point in chasing it at these levels, though Amcoal remains SA's premium coal producer and should prove worth holding for its long-term prospects.

Brendan Ryan

	Year ended 31 March 1990 Tons millions	%	Year ended 31 March 1991 Tons millions	%
Domestic	32,60	75,6	**33,53**	**77,1**
Eskom	29,88	69,3	**30,95**	**71,2**
Industrial	1,11	2,6	**1,14**	**2,6**
Metallurgical	1,18	2,7	**1,05**	**2,4**
Coke	0,35	0,8	**0,32**	**0,7**
Anthracite	0,08	0,2	**0,07**	**0,2**
Export	10,53	24,4	**9,93**	**22,9**
Metallurgical	1,95	4,5	**1,92**	**4,4**
Steam coal	8,18	19,0	**7,72**	**17,8**
Coke	0,12	0,3	**0,07**	**0,2**
Anthracite	0,28	0,6	**0,22**	**0,5**
Total	43,13	100,0	**43,46**	**100,0**

Source AMCOAL

Scharrig, Frigate in deal

Star 18/6/91 215

By Ann Crotty

After weeks of speculation, a deal between Scharrighuisen and Frigate has been announced

Last month they issued separate cautionaries warning shareholders that they were involved in negotiations, which could affect the share price

Because both are involved in the coal mining industry and both operate plant hire activities, the market quickly assumed that the two were negotiating with each other.

The official announcement says Scharrighuisen will acquire the entire contracting division of the Frigate as a going concern

"Scharrighuisen will acquire the businesses, including mining assets, hostels, workshops and the rights and obligations in respect of contracts currently being performed by the Frigate companies"

The projected tonnages of the operations will exceed 500 000 tons per month. Projected turnover will be R5 to R7 million a month

The deal will make Scharrighuisen SA's biggest contract mining operation.

Director Cas Scharrighuisen says because the two companies were competitors in the same market, there should be significant scope for synergies

"Duplication of overheads will be eliminated and plant utilisation will be maximised"

The turnover of the enlarged Scharrighuisen group is forecast to be over R175 million for the year to end-92

For financial '91, earnings are expected to reach 75c a share, with a dividend of around 22,5c

In the 18 months to December '90, earnings of 57,8c a share were achieved.

ANC eyes Anglo's Grootvlei village

THE fate of Grootvlei village between Heidelberg and Villiers hangs in the balance following weekend reports that the African National Congress and a consortium of farmers and businessmen had expressed interest in buying the village.

Owned by Anglo American's Springfield Colliery, the village is to come under the hammer on July 2, according to Mr James Duncan, chief communications officer for Anglo. Sowetan 19/6/91

This follows the closure of the mine which supplied the bulk of its coal to Eskom's Grootvlei power station, now mothballed.

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Duncan said several prospective buyers had been shown the property. Mrs Winnie Mandela reportedly viewed the property on June 6 and 7.

The property consists of 250 houses, a small hospital and other buildings, sporting facilities and land.

About 30 percent of the colliery's personnel are still employed in activities related to the closure of the mine.

It is planned to complete the major part of the closure at the mine by the end of the year and the property will be vacated by the end of March 1992, Duncan said.

While movable equipment would not form part of the auction, the successful buyer may, however, negotiate to buy items such as hospital equipment.

An offer of some R2 million has reportedly been made but it is not known by whom or whether this would be accepted by Anglo.

Other reports indicate that neighbouring farmers are up in arms regarding the possibility that the ANC might buy the village

Some farmers fear for the safety of their businesses while some farmworkers have indicated that should the ANC move in they would move to the Free State

Residents of the village are divided about the effects such a move will have. Some regard it as a sad day, as some families have been there for two generations, while others are glad that Anglo has decided to put the village up for sale before it becomes a ghost town. - *Sapa.*

Mushrooming . . the growing commercial centre of Ellisras provides shoppers with facilities unheard of in this bushveld community a few years ago. Picture: Dirk Nel

Burgeoning Ellisras now a hive of activity

Star 25/6/91

By Dirk Nel
Northern Transvaal Bureau

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The days when Ellisras was nothing more than a dusty bushveld dorp are gone forever — the advent of coal mining and related industries have made sure of that

It has now become a bustling regional service centre, with a solid infrastructure, a fully fledged town council, a network of tarred roads and an ever-increasing number of government offices.

"We are planning a conference, involving all sectors of the community, to plot our next steps on the road to further development," the mayor, Frans Prinsloo, told a recent gathering in the new civic centre.

The two largest employers in the area, Iscor's Grootgeluk coal mine and Eskom's Matimba power station, have been the main architects in the transformation, with large chain stores and service industries following suit and becoming part of the local economy.

Visitors to the town will immediately notice several unusual features which distinguish Ellisras from its neighbouring towns

First, there are the huge chimneys of the Matimba power station, which dominate the bushveld skyline. Then there are the two faces of the town, the old — including the hotel, post office and high school — and the new Onverwacht residential area, which adds a distinctly urban flavour

The golf course at Onverwacht is something else! With the fairways and greens spread among the houses, golfers have to cross a street after each hole, which inevitably results in some stoep talk and biltong-munching — a totally new experience for visiting city players

The re-establishment of elephant on game ranches in the district is another drawcard

"Take a break — visit Ellisras," says a publicity leaflet.

They have a point, it seems

Springfield colliery sale: ANC to bid

215

DARIUS SANAI

THE ANC was definitely interested in buying the colliery village of Springfield next to the disused Grootvlei power station, ANC spokesman Saki Macozoma said at the weekend.

The village, which will be auctioned tomorrow, could fetch up to R10m

It consists of more than 250 houses, a small hospital and vacant land, and was put up for sale by Anglo American earlier this year. B/Day 1/7/91

Macozoma would not elaborate at the weekend on what the ANC would do with the complex if it bought it.

However, he did say, the National Co-ordinating Committee for Returning Exiles (NCCR) was not involved in plans to buy Springfield.

Auctioneers Chase and Sons director Tony Chase said there was no reserve price on the complex, but that he expected it to fetch "somewhere between R4m and R10m".

He confirmed that the ANC had shown an interest in the colliery, and said a group of local farmers had also formed a committee to bid for it.

There were at least five other possible buyers, but they had asked not to be identified, he said.

Anglo American spokesman James Duncan confirmed at the weekend that the ANC had shown an interest in the property, but refused to name other possible bidders.

Members of the local community oppose the sale.

At an open meeting in May, Grootvlei residents, residents of the nearby Eskom village, and members of the nearby farming community elected a committee to find a local buyer for the Springfield complex.

Committee member Daan Pretorius said at the weekend: "The aim was to keep the village open for the rural community."

The committee had found a partnership that was interested in buying the village, he said. The partnership, which he would not name, would be bidding tomorrow and would rent the land to local community members, including pensioners and people working in nearby towns.

Frigate losses 'to continue'

Bday 2/7/91. (215)

ANDREW GILL

COAL mining concern Frigate Group expects a further R12m operating loss in the six months to end-June, the company said yesterday in reporting a R16,1m loss for the year ended December 1990

The company made a R3,32m profit the previous year.

Arrangements have been made with a major creditor to have the R12m debt owing to it frozen until the end of 1991

Frigate MD Mike Stanley declined to comment on who the creditor was but indications were that Finansbank was involved It injected R5m into the group last year and acquired 40% of the company in the process. The announcement said the creditor was a major shareholder

Although turnover increased by 23% to R74,6m, an operating profit of R10m in 1989 crumbled to a loss of R4,3m in 1990

Finance costs were 25% higher at R8,87m and almost R1m was written off as a result of the planned closure of Riverside Colliery, which was at the end of its life

An "extraordinary loss" of R1,64m was reported as a result of the suspension of underground mining operations at Hillside Colliery in November last year after only eight months of operation

Frigate's contracting and plant hire divisions were bought by Scharrighuisen last month for about R10m and it has entered into contracts for opencast mining of Frigate's existing collieries

Stanley said the company was looking at "a lot of things" but declined to elaborate on what these were.

The statement said directors were examining various strategies in an attempt to restore the company to a sound financial position As a result, shareholders were urged to continue exercising caution in dealing in Frigate shares

Local farmers outbid ANC for Grootvlei

Bloday 3/7/91. (215

DARIUS SANAI

THE ANC yesterday failed to buy the Springfield colliery near Grootvlei in the southern Transvaal when a group of local farmers outbid it in a public auction

The colliery, serving the mothballed Grootvlei power station, was put up for sale by Anglo American last year. It incorporates a 150-house village, a high-density hostel complex, a game reserve and a dam on its 773ha of land

The ANC was believed to be interested in using the colliery as a base for returning exiles

But in yesterday's tense auction, held in a marquee on the colliery grounds, 200 white farmers looked on as a bidder from the hastily formed Grootvlei Development company bettered each new bid by ANC welfare department head Winnie Mandela's lawyer Ismail Ayob

The colliery was sold to the local company's director Danie Heyns for R4,6m after Ayob, sitting alone, declined to improve on his final offer of R4,5m

Heyns, a Pretoria businessman, and his partner, local farmer-turned-businessman Gert Viljoen, were immediately mobbed by the jubilant crowd

Ayob slipped out soon afterwards

Viljoen said the company planned to sell off the houses in the village — with existing residents being given first option to buy — before redeveloping the area and attracting new residents.

He and Heyns insisted that their company's bid was not politically motivated

Anglo American spokesman James Duncan said yesterday only 350 mining personnel still lived at the colliery

● Picture Page 3

FM 5/7/91 (215)

FRIGATE

DISMASTED

FM 5/7/91 (215)

Frigate management's decision to go mining on its own account instead of sticking to the business it knew best — contract mining for other companies — has backfired and cost the group dearly

After losing R28m in the past 18 months Frigate has been forced to sell its contracting and plant hire divisions to Scharrighuisen Holdings (Scharrigs), which continues to make money doing what Frigate used to do successfully — contract mining

Scharrigs made taxed profit of R13m in the 18 months to end-December, compared with Frigate's R16m loss for the year to December; this was followed, according to MD Mike Stanley, by another R12m loss in the six months to end-June. As part of the deal, Scharrigs will do the mining in Frigate's opencast coal mines through a contract negotiated at arm's-length. Scharrigs does contract mining for a number of coal majors including Rand Mines, Gold Fields of SA, Kangra Holdings, Sasol and Trans-Natal.

Frigate's outlook is bleak because its financial future now rests on management doing what it has so far been unable to achieve — make its own coal mines pay their way

All Frigate really has left after the deal, which took effect from July 1, is its four coal mines grouped under subsidiary Rapid Coal Holdings. Scharrigs has bought the contracting and plant hire divisions for R7,75m, settled by issue of Scharrigs shares at 305c apiece This amount may be increased to around R10m after settlement of an adjustment account. Scharrigs has taken over debts of R16m relating to the equipment used by these companies

That still leaves Frigate heavily in debt to its major shareholder and creditor, Wakefield Investments, which is a wholly owned subsidiary of Finansbank and holds 40% of Frigate. Frigate's debts amounted to R63,6m at end-December, against R40,4m a year previously. Wakefield has granted a moratorium on repayment of R12m of Frigate's debt until December 31

MD Mike Stanley declines to elaborate on the statement that "The directors are at present examining various strategies in an attempt to restore the company to a sound financial position." He says the coal mines will be run under new management, which seems to consist essentially of ex-Lonrho coal division manager Barry Love, who is now consulting to Frigate

The saga of what went wrong at Frigate would make a good case study at a business school After starting up a plant hire operation in 1977, it diversified very successfully into contract mining from 1984, when Stanley bought into the business. But from 1987 Frigate started acquiring its own coal mineral rights.

It was listed in 1989 with the aim of mining deposits "for which sales outlets can be clearly identified and which may be too small to attract larger mining companies"

That was the theory. Harsh reality involved major production problems These were caused by delays in colliery start-ups, extraordinary losses when Frigate tried its hand at underground mining instead of the opencast operations it knew best, problems with beneficiation plants to upgrade coal for the export market, delays sending coal through Maputo and the temporary suspension of operations on one colliery because of low fob prices through Durban

Bottom-line is that Frigate has come nowhere near to achieving aims set out in its prospectus Investors should stick to the established coal producers who have shown they know their business *Brendan Ryan*

End of US curbs 'to boost steel, coal'

(215)

BDay 15/7/91

WILLIAM GILFILLAN

THE JSE's steel and coal sectors stand to reap the greatest benefits from the lifting of US trade sanctions, say market analysts

But they believe these benefits will be felt only after some time, when international steel and coal prices firm An increase in these prices is forecast in line with the economic recovery in major industrialised countries.

One analyst said that as the steel and coal sectors bore the brunt of sanctions "it stands to reason they will benefit most".

Anglo American Corporation stands to benefit through subsidiaries Anglo American Coal and Highveld Steel.

Barlows has substantial steel interests through Middelburg Steel & Alloys and it is exposed to the coal sector through Rand Mines' Witbank Colliery.

Iscor will be a major beneficiary in time, and this is reflected by the rise in its price

But Fergusson Brothers' William Bowler cautions that benefits will not be immediate as "world steel markets are currently depressed and at present there is softness in world coal markets"

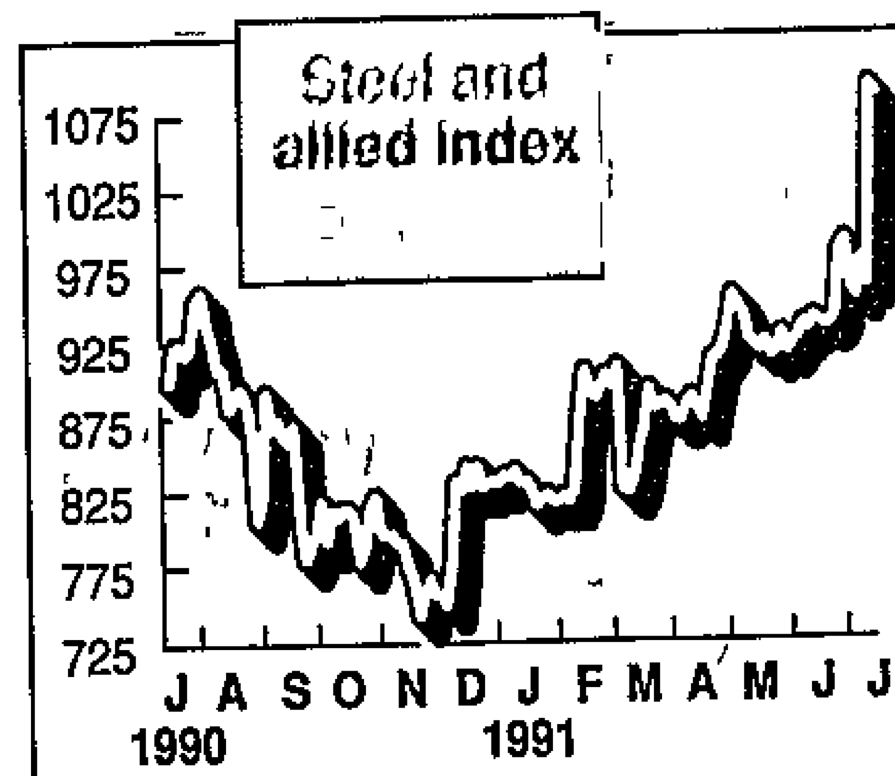
An indication of the depressed state of steel markets is the 65% slump in British Steel's pre-tax profits in the year to March

Analysts said the benefits in the coal sector would be through higher prices, as export capacity was constrained by the limitations of the Richards Bay terminal and inadequate rail transportation. Coal exporters no longer had to take a political discount in price.

The Richards Bay terminal is being expanded, and capacity constraints are likely to be alleviated when railway extensions are completed.

Analysts said it was often difficult to know to what extent lower exports were due to slowdowns in international economies or to sanctions.

Sappi and Samancor were cited as groups affected largely by depressed international commodity prices



Graphic FIONA KRISCH Source I NET

Benefits will flow to shipping and transport companies through increased trade, said John Rogers of Edey Rogers. Companies involved in trade finance, and wine and fruit exporters, should also do well. Tourism would improve — if township violence abated.

The lifting of US sanctions was not expected to have much effect on trade with Africa, as this had continued throughout the sanctions period Analysts also feel Africa could pose a payments problem for SA suppliers

The Premier Group is considered best placed to benefit from any increased trade with Africa, as it already has a substantial distribution infrastructure in the continent Tiger Oats could also do well

Analysts said groups involved in basic commodities, especially foodstuffs, would prosper if trade with Africa picked up.

Regarding the American market, a senior manager of trade insurer Credit Guarantee, Gernot Kruger, said it would take time for SA companies to regain lost market share.

He gave the example of Namibia, which was struggling to increase exports One reason for this was that despite the country's independence, local authorities in the US still had sanctions legislation against Namibia on their books

Coal market moves during sanctions seen as a hurdle for SA exporters

ARG 18/7/91

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LONDON — Whatever else South Africa's coal exporters are expecting from a lifting of the US sanctions it is not a flood of orders from coastal electricity producers in the United States.

Once a significant source of coal for the Florida utility Gulf Power, South African coal producers are entering a very different market from the one from which they were excluded in 1986.

The past five years have seen the rocketing growth of exports from a much closer source of low cost coal, the mines of Colombia and Venezuela. And today the spot market, which was once dominated by South Africa, is as much the province of those US producers that the big South African exporters once displaced on their home ground.

But if the lifting of sanctions will have no immediate effect on South African coal business in the US it will make a lasting impact throughout the rest of the world. Buying coal from South Africa has once again become respectable.

Apart from the American blocking of imports for the past five years, a measure that did not extend to US exports of coking coal to South Africa's Iron and Steel Corporation, the only other significant boycott was that imposed by the Danish parliament. This looks set to remain at least into 1992 following the parliament's reaffirmation of its sanctions stance, thus thwarting an attempt by the Danish government to have them dropped.

Already the Japanese power companies are shifting their stance and are increasing liftings from Total, Gencor and Amcoal. It is expected that the Korean state power company, Kepco, will follow suit.

In Europe attention will focus on Electricite de France, at present a big buyer on the spot market, and on the UK.

The French have an informal understanding they will not import from South Africa, though this was never enacted into law in the same way that it was in Denmark. Nor has it been rigorously enforced.

Most coal traders believe it will be only a matter of months before Britain's three big coal-consuming electricity producers, PowerGen, National Power and Scottish Power, follow the lead of the smallest, Northern Ireland Electricity, and take their first South African cargoes.

National Power has already despatched Mr John Jump, former head of BP Coal, on a confidential fact-finding mission to the South African mining houses to help formulate its purchasing strategy. No South African coal has been openly burned in mainland power stations, but a lot has been blended with privately mined British coal and sold as such.

Doubts remain, however, over its suitability for British power stations because of the low volatility of most South African coals. — Financial Times.

Coalmen seek price boost as sanctions end

215 Star 19/7/91.

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Doubts remain, however, over its suitability for British power stations because of the low volatility of most South African coals

— Financial Times

Investors advised to take coal profits

B Day 24/7/91. (215)

MATTHEW CURTIN

THE euphoria that has catapulted the JSE's coal index from 2 555 points at the start of February to a year high of 4 176 last week is misplaced

Investors would do well to take their profits before the euphoria wore off, Frankel Max Pollak Kruger analyst Kevin Kartun said yesterday

He said the index's performance, heavily dependent on Amcoal, belied the poor fundamental conditions facing the coal industry.

As sanctions were lifted, investors had made the "simplistic" assumption that those exports worst affected, namely coal and steel, would be those to benefit the most from SA's revived international standing

He noted that Amcoal, a tightly held share, had increased its market capitalisation from R2,01bn in mid-February to R3,32bn this week in generally thin trading

Kartun said that once SA's coal producers reported their interim and final earnings for 1991/1992, which he believed would show at best flat performances, share prices would "dive"

Coal producers said yesterday that the industry was not on the verge of an export bonanza.

TransNatal MD Mike Salamon said SA producers were likely to see a 3% price rise in 1991, while their competitors would achieve static if not lower prices However, this reflected the dwindling "political discount" on SA coal exports, introduced by SA producers in the wake of sanctions imposed in the 1980s "to obtain a higher market share in a smaller world".

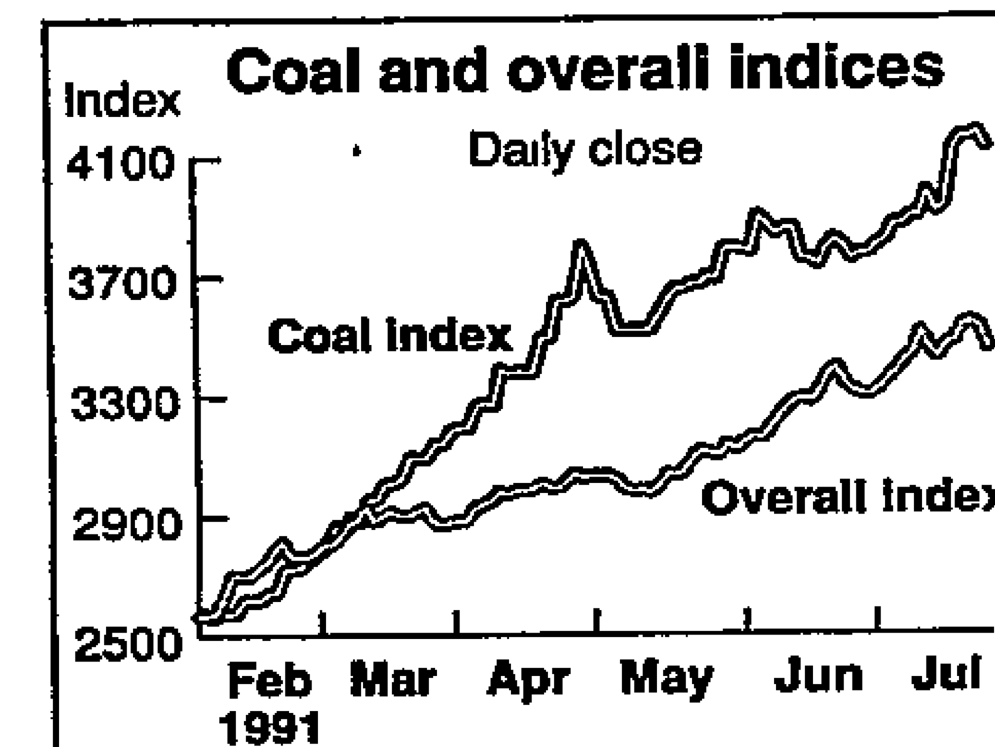
The lifting of sanctions improved export prospects in Japan only, because other markets were already supplied

Amcoal chairman Graham Boustred warned in his annual review that it was vital that the coal industry avoided "the pitfalls of overproduction" and consequent lowering of price that had been apparent in a number of commodities in recent years.

Witbank Colliery deputy chairman Allen Cook echoed Salamon's view that although the Richards Bay coal terminal would have a theoretical capacity of 53-million tons a year by January 1992, with SA producers anticipating export growth of 2-million tons a year, the terminal would be working at full capacity only by 1994/1995 Coal exports in 1990 stood at 45-million tons

Market conditions were not right for an export boom, he said yesterday.

A Spoornet official said the track capacity for coal exports stood at 65-million tons against a rolling stock capacity of 47-million tons The railway group had ordered 800 new CTL-8 coal wagons, of which 170 were delivered in March, with the final deliveries expected by 1994/5. That would raise rolling stock capacity to 53-million tons.



Graphic FIONA KRISCH Source I NET

Saccawu also alleges that the bank has given the Inkatha linked federation, Uwusa, representation without membership — a claim which the bank refuted.

Durnacol action signals NUM resurgence

215

W/mail 26/7-1/8/91

By DREW FORREST

THE entire 5 000-strong black workforce at Iscor's Durban Navigation Colliery (Durnacol) staged a three-day wage strike recently — signalling that the National Union of Mineworkers has recovered from last year's ethnic-political upheavals at the mine.

Iscor's Ernest Webstock confirmed an illegal strike between July 9 and 11 at Durnacol, near Vryheid in northern Natal, in protest against an annual pay rise of 10 percent implemented on July 1 at all the corporation's mines.

The dispute was settled after negotiations between management and the NUM, he said.

In September last year, 1 500 Xhosa miners were sent back to Transkei and Ciskei after ethnic-political violence in which at least one worker died.

The "repatriated" workers have since been dismissed.

The violence was apparently sparked by rumours that Xhosa miners had insulted Zulu leaders and that the NUM was an African National Congress front.

The NUM alleged an alliance between Inkatha, the police and mine management aimed at rolling back the NUM presence at Durnacol.

Witcol acquires RM coal interests

215

2/7/91

JOHANNESBURG — Rand Mines has reorganised its coal mining interests, restructuring the group so that all its coal operations fall under Witbank Colliery (Witcol)

A group spokesman said yesterday that negotiations were "being finalised with a view to restructuring all the operating coal interests within the Group"

Witcol would acquire RM's shareholding in subsidiary Corgroup (Jupiter) investments, and subsidiary Manhattan Syndicate as well as some other coal rights in exchange for Witbank shares. RM has a 50,5% stake in Manhattan.

Rand Mines shifts its coal operations

(215) BDay 26/7/91

MATTHEW CURTIN

RAND Mines has reorganised its coal mining interests, restructuring the group so that all its coal operations fall under Witbank Colliery (Witcol).

A group spokesman said yesterday that negotiations were "being finalised with a view to restructuring all the operating coal interests with in the Rand Mines Group".

Witcol would acquire Rand Mines' shareholding in wholly owned subsidiary Corgroup (Jupiter) Investments, and subsidiary Manhatten Syndicate as well as some other coal rights in exchange for Witbank shares. Rand Mines has a 50,5% stake in Manhatten

Corgroup and Witcol currently run the group's coal operations, with Corgroup and Shell SA holding 50% stakes in the Rietspruit opencast mine.

Corgroup has a 30% stake in Rand Mines' two Eskom-linked collieries, Khutala and Majuba.

Rand Mines and Witcol have advised shareholders to exercise caution in their share dealings until more details on the consolidation are available. An announcement is expected soon

The move is the latest in the group's restructuring programme, sparked by the demise of its platinum and vanadium operations and hard times at its gold mines

Negotiations between Rand Mines and Genmin continue, with the parties ironing out the details of a deal which will see Impala Platinum acquire platinum operation Barplats.

Analysts have said that the deal has been held up while the two mining groups discuss with government the tax arrangements necessary to finalise the deal.

However, the Financial Mail reported this week that Genmin chairman Brian Gilbertson said the deal would be going ahead regardless.

Genmin had to decide only the extent to which shareholders would be called upon to finance the deal.

Implats has been running Barplats' Crocodile River mine for about two months.

Analysts have also said that Rand Mines has held talks with Sappi over the sale of its timber subsidiary, Lotzaba Forests.

South Africa has raised $342 million (R1 billion) so far this year, mainly through pri-

"International institutions are yet to play a significant role," says Mr Leape

RM, Witbank Colliery cautionary

By Derek Tommey (215)

Rand Mines (RM) and Witbank Colliery have advised shareholders to exercise caution in their dealings pending a further announcement. Star 26/7/91

The cautionary accompanies a report that Rand Mines is to put all its operating coal interests into Witbank Colliery in exchange for Witbank Colliery shares.

The transaction will increase Rand Mines' stake in Witbank Colliery to above its present 71 percent.

Market analysts say the move is part of a tidying-up operation. Witbank Colliery intends acquiring Corgroup (Jupiter) Investments and Manhattan Syndicate, as well as certain other coal rights.

SCHARRIGHUISEN FM 26/7/91

BIG OPERATOR (215)

After turning in an excellent set of results for the six months to June, independent mining operator Scharrighuisen (Scharig) reckons there is better to come over the next 18 months.

That is largely thanks to the acquisition of the plant hire and contract mining divisions of competitor Frigate, which ran into financial trouble (*Fox* July 5) and was forced to sell these profitable divisions to reduce debt

Scharig is forecasting earnings of 45,5c a share and a final dividend of 15c a share for the second half That would give totals of 75,3c and 24c respectively for the year to December For the 1992 financial year, EPS are estimated at 125,4c and the dividend is forecast to be 40c Not surprisingly, the share price has soared from 150c in February to 395c, before dropping back to current levels around 350c.

Director Teunis Scharrighuisen says the deal makes Scharig the largest independent opencast mining operator in SA He is confident the earnings and dividends forecasts will be met, citing his group's previous successes in beating forecasts given in annual reports

The group does not own any mines but operates them on contract for owners That was what Frigate did successfully before taking the plunge and setting up its own coal mines, after which it ran into all kinds of mining and marketing problems and built up debts of R63,6m by end-December

Scharig now operates more than 250 earthmoving machines and equipment with a replacement value of R138m. It carries out contract mining for major coal groups including Rand Mines, Gold Fields of SA,

FM 26/7/91 (215)

Kangra Holdings, Sasol and Trans-Natal It also runs West Witwatersrand Gold Holdings' opencast gold mine near Randfontein and does rehabilitation work — this recently included the extinguishing of an underground coal fire threatening a rail line near Witbank

Acquisition of Frigate's equipment has pushed long-term liabilities to R21,6m from R5,4m However, there are net current assets of about R7,1m Scharrighuisen reckons the financial position is strong and long-term liabilities will be reduced to R10,5m by the end of next year *Brendan Ryan*

RM, Witbank Colliery cautionary

By Derek Tommey (215)

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Low tax bill a boost for Trans-Natal's earnings

B/Day 9/8/91 (215)

ANDREW GILL

TRANS-Natal Coal yesterday reported increased earnings for the year ended June by virtue of a sharply lower tax bill offsetting a R70m fall in operating profit

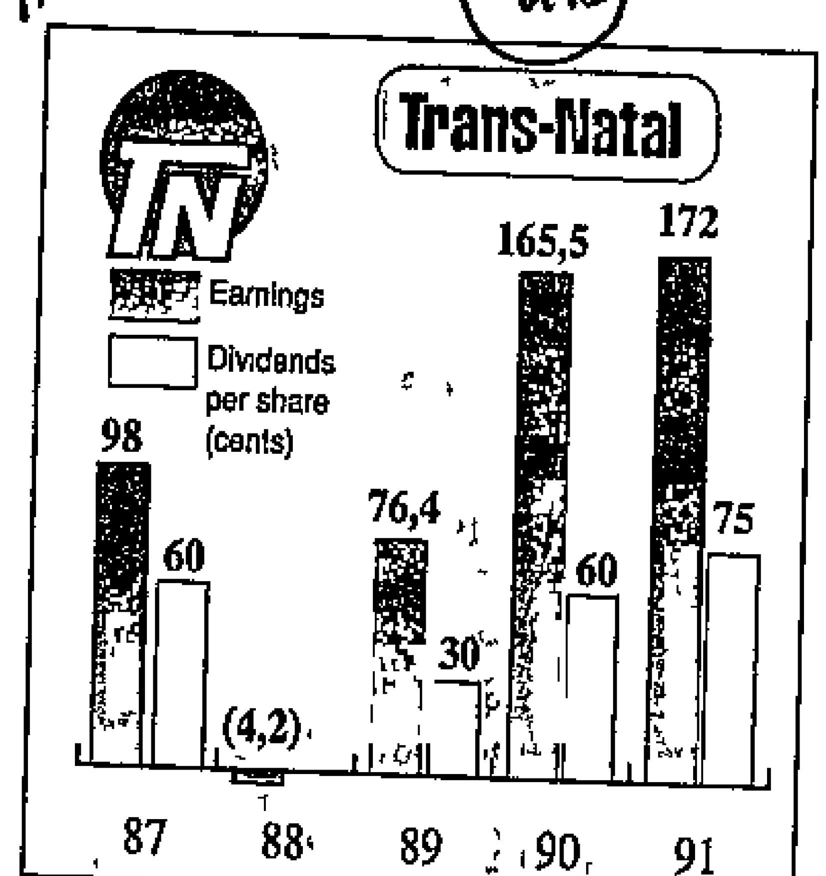
In overtaking Amcoal as SA's biggest coal exporter, MD Mike Salamon said higher costs associated with higher export sales, losses incurred at Koornfontein and inflation had caused the slide in operating profits after turnover had climbed 3% to R1,43bn.

Tonnages, however, dipped 2,8-million tons to 27,5-million largely as a result of sharply lower offtake by Eskom. Export tonnages climbed to 10,6-million from 10,2-million.

Attributable income climbed 5% to R138,1m as the total tax bill fell to R25m from R90m.

Salamon said Eskom's mothballing of Komati power station had affected Koornfontein worse than was anticipated The mine spent five months of the year producing operating losses as the saleable yield fell and the retrenchment of 423 workers caused a period of unrest.

An agreement was still being thrashed out with Eskom over the loss of revenue resulting from the mothballing of Koornfontein. The other mine associated with the mothballing, Usutu, had its coal rights sold to Eskom for R109m



Graphic LEE EMERTON Source TRANS-NATAL

The cash is not registered as an inflow in the income statement because management "used the opportunity" to write off assets, including R27,2m arising from the mothballing, R27,4m at Savmore and Delmas Collieries, remaining cost of control (goodwill) mainly at McAlpine and Titus

The net result was a R1m inflow from extraordinary items

These, however, were account entries and the R109m helped boost cash holdings to R307m Most of this would go towards Trans-Natal's capex programme, which should amount to about R1bn over the next five years

He said the group's cash position should remain positive despite anticipated capex of R330m over the financial year About 65% would be spent on the Gloria Project at Koornfontein, which had reached "an economic production level" It produced 208 000t in July

Alternatives were being investigated at Optimum, leading to the deferment of the underground mine Salamon said they were looking at rationalisation opportunities between Koornfontein and Optimum, which were only about 10km apart, with Optimum possibly taking in Gloria production

He said the company would be hard pressed to improve earnings

Exports to Europe were contracted until December and the Far East until March Tonnages to Eskom, which fell to 11,2-million tons from 13,4-million, were expected to bottom out at about 10-million

Kind tax break helps Trans-Natal prosper

Star 9/8/91

(215)

By Derek Tommey

As a result of a favourable tax break, the recovery in the profits of Trans-Natal, the giant coal producer in the Gencor group, is continuing.

The company has also taken over top spot as South Africa's biggest coal exporter

The managing director, Mike Salamon, reports that attributable profits in the year ended June rose just over 5,0 percent to a record R138,1 million equal to 172,0c a share

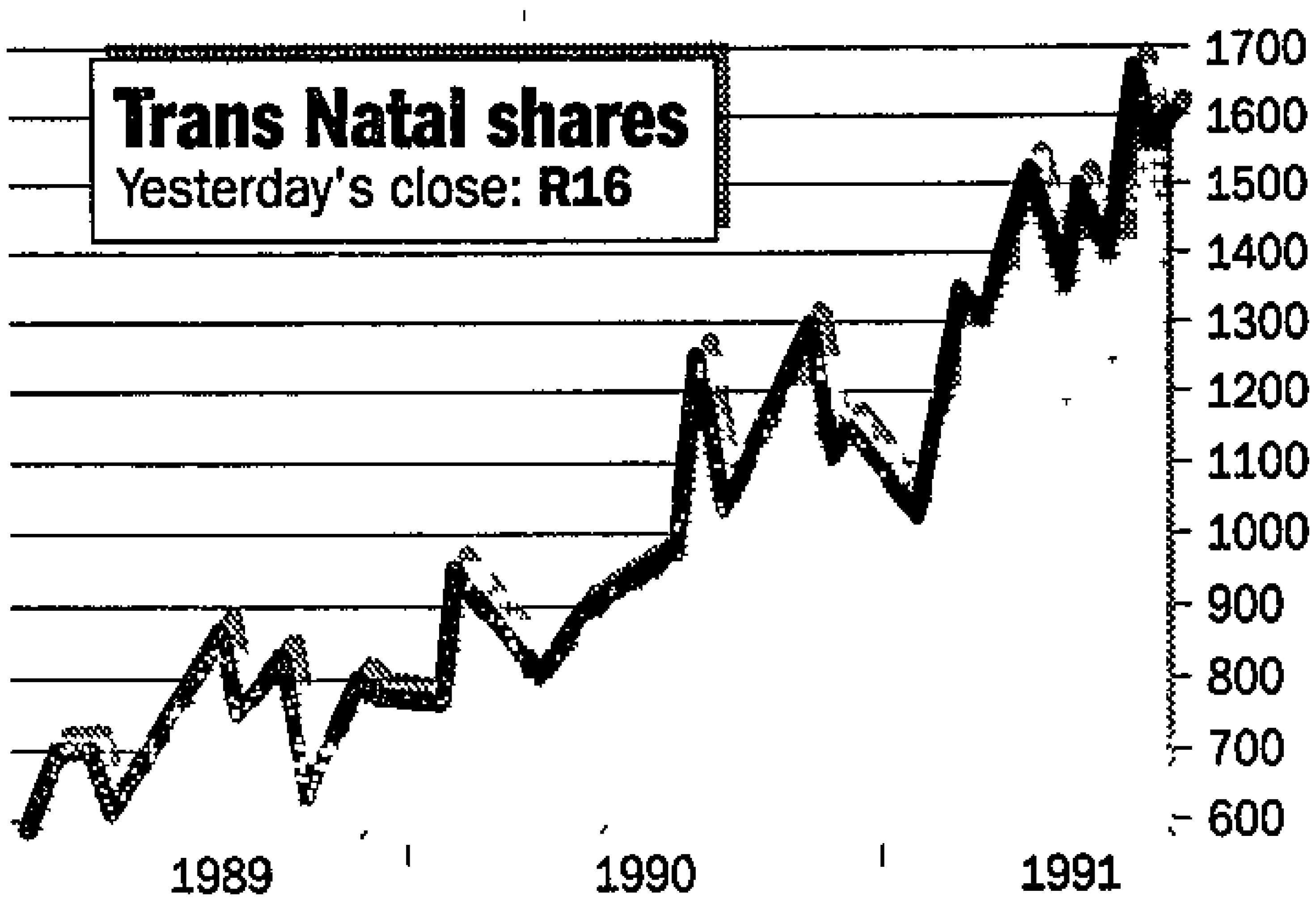
The final dividend has been raised by 32,5 percent to 53c a share to make a total payment for the year of 75c a share, a 25 percent increase on the 60c paid last year

These results contrast sharply with those three years ago when Trans-Natal recorded a loss of R27,9 million and paid no dividends.

Strike action

But Mr Salamon warns that in the present conditions the company will find it hard to maintain the current level of earnings Much will depend on increased efficiencies at the Koornfontein mine, which experienced strikes earlier this year, and also on the rand value of export earnings

Although the export coal industry has not benefited to any extent from moves overseas to ease sanctions on South Africa, Trans-Natal's exports rose four percent from 10,2 million tons to 10,6 million tons in the year ended June, to make it the country's biggest coal exporter



So far the only positive development in the sanctions scene has been the removal by Japan of restrictions on the value of South African coal that could be imported But Mr Salamon said that Trans-Natal had no intention of chasing markets in those countries now being opened up to South African exports.

He said that the market overseas for steam coal was delicately balanced There was a lot of coal was coming from Australia and new production was coming from Indonesia and Venezuela In addition much US coal was available on a marginal basis owing to the American market being depressed

However, this had been countered by the turmoil in Russia and Eastern Europe which had reduced the amount of coal available for exports from that region

On the demand side the UK has become a significant importer, but not of South African coal, probably because of opposition by the British trade unions

Mr Salamon said the international steamcoal market grew strongly in 1990, expanding by 12 percent to 166 million tons, which was more than double the long-term growth rate of five percent

In South Africa, Trans-Natal's sales to Eskom dropped 16 percent from 13,4 million tons to 11,2 million tons This was mainly the result of the mothballing of the Camden and the Komati power stations, which reduced sales to Eskom by two million tons

Other inland sales were down 15 percent from 6,7 million tons to 5,7 million Factors causing the reduction in sales included Sasol's move to self-sufficiency and a lower level of sales to municipal power stations This trend was reversed in April when the company won a contract to supply the Johannesburg power station

Domestic demand was also hit by the downturn in the economy At the same time many customers in the export business were hit until fairly recently by the relatively strong rand which severely affected their ability to export

Overall, sales were down 9 percent from 30,2 million tons to 27,5 million tons

Sales revenue in the year ended June rose 4,3 percent to R1,43 billion The cost of sales rose 10,6 percent to R1,25 billion, partly owing to the need to wash a greater amount of export sales. Wage increases averaged about 13 percent.

Operating costs

Operating income was R180,4 million, down sharply from the R259,4 million last year

But the reduction in the rate of tax announced on March 20, and the lower income before tax had a material effect on the deferred tax balance The net effect was that income after tax rose four percent to R137,1 million

The sale of Usutu coal rights to Eskom produced R109 million, but this was offset by the writing off of mining assets.

The Group held R307 million in cash at the end of June, and much of this will be used to finance this year's R330 million capital expenditure programme.

COAL FOR THE WORLD Star 10/8/91.

ɔrld — but dare we go on burning it?

Greenpiece

215

JAMES CLARKE

IT is quite a thought that South Africa — third biggest coal exporter in the world — will be exporting coal long after the Middle East's oil has dried up.

Our 55 billion tons of exploitable coal should last 300 years. Oil won't see out next century. And we have another 120 billion tons of coal which might one day become economically exploitable.

But will the public tolerate coal's continued use?

The short answer from the industry is that it would be crazy not to.

I noticed that the coal men who met at a "Coal in the Environment" conference organised by Naca last week, were keenly aware of coal's deteriorating image and clearly understand public concern over acid rain and global warning which are partly caused by coal burning. There's also coal's role in ill health, sinkholes, water pollution . .

The universal feeling among delegates was that we cannot possibly eschew such an abundant resource. Somehow we must learn to burn it in such a way it does not wreck the atmosphere. Most experts felt the acid rain problem has been "solved" and that future coal-fired power stations will not release sulphur.

The big worry now is carbon dioxide from coal. It accounts for a third of man-made carbon dioxide which in turn accounts for half the manmade greenhouse gases

This can be curbed but the process is expensive — although I doubt it is as expensive as the industry would have us believe.

Interestingly, at two environmental conferences in Johannesburg last week — one on minerals exploration and the other on coal — the following conclusion was drawn.

When it comes to development (or the continued use of coal) the deciding factor will not be facts, but public perceptions.

In a way this puts an enormous responsibility on the public. Through ignorance it could stop a proposed development which in fact might well have been of great benefit to the country.

On the other hand the public's negative perceptions of mining's impact on the environment has been ingrained by the industry itself.

But things are changing.

Dr Roland Merrilees, a project evaluation consultant who spoke at the minerals conference said: "In the 1970s it was the dark greens (environmentalists) versus the non-greens (industrialists).

"Now we are all light green."

Witcol acquires Rand Mines coal operations for R290m

(215) B/Day 13/8/91

MATTHEW CURTIN

WITBANK Colliery (Witcol) has acquired the coal operations of parent Rand Mines for R290m.

A Rand Mines spokesman said yesterday the deal would see an issue of Witcol shares to Rand Mines and Corgroup (Mercury), an asset holdings company within the group

He said the transaction was effective from October 1, and would dilute Witcol's earnings by nearly 11% if superimposed on projected earnings for 1991

However, "the directors are budgeting for a real increase in earnings a share" for the enlarged operation in 1992, he said.

Rand Mines issued a cautionary announcement to shareholders at the end of July in which the group said it was reorganising its coal interests so that they all fell under coal mining arm Witcol

The move is one of many Rand Mines has undertaken to restructure the group in the face of the failure of its platinum division and troubled times at its gold mines.

Rand Mines has surrendered control of its platinum arm, Barplats, to Impala Platinum in exchange for a diluted stake in the company, and is on the verge of selling the assets of its mothballed Vansa Vanadium operation to a consortium headed by directors of Chromecorp Technology.

The group is also likely to transfer its Winterveld chrome mine from Vansa, which wholly owns the mine, to Middelburg Steel and Alloys in 1992 Rand Mines is looking for a buyer for its timber subsidiary in the north eastern Transvaal, Lotzaba Forests.

The spokesman said "The most obvious benefit arising from the transaction is the consolidation within Witbank of all the group's coal operating interests which will facilitate the rationalisation of reserves and lead, in the opinion of managment, to significant synergies in the medium to longer term."

Witcol consolidation finalised

Finance Staff · Star 13/8/91

Rand Mines has announced further details of its plans to consolidate all its coal operations under Witbank Colliery (Witcol)

Under the agreement published today Witcol will issue new shares worth R290 million to Rand Mines and Corgroup (Mercury), an asset holding company within Rand Mines

The immediate effect of the deal will be to dilute Witcol's earnings by 10,7 percent but Rand Mines is budgeting for a real rise in earnings in financial 1992

The new shares will only participate in Witcol's earnings from October this year and will not rank for the current financial year's final dividend

"The most obvious benefit arising is that this consolidation of the group's coal interests will facilitate the rationalisation of reserves," the directors state

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Competitive

The major Rand Mines coal asset, not under control of Witcol, was a 50 percent stake in the Rietspruit coal mine, which it controlled jointly with Shell, and a 30 percent interest in each of the Khutula and Majuba Eskom-tied collieries

A Witcol spokesman says Rietspruit coal should in future be far more competitive on the export market, as the mine plans to improve the coal quality and the yield, while at the same time reducing working costs

Furthermore, income from the Eskom-tied collieries should reflect steady growth as the income is based on a return on capital invested which should grow as the mines are developed Rand Mines also owns mineral rights which are currently being exploited by the two collieries

Rand Mines also controls 50 percent in Manhatten Syndicate, which owns surface rights linked to the Rietspruit mine

FM 16/8/91 (215)

TRANS-NATAL FM 16/8/91

Export driven

(215)

While year-end results from Trans-Natal Coal (TNC) are at record levels, the increased profit is courtesy of the Receiver of Revenue — the fundamentals are not that exciting

Attributable income is 5% up but, like industry leader Amcoal, the more telling statistic is operating income, which is 30% down Amcoal's operating profit for the year to March was 10% lower

What made the difference at the attributable level was the reduced tax rate announced in this year's March Budget It reduced TNC's rate from an effective 54,5% to 50,88% Calculation of the benefits of this on the deferred tax bill resulted in a tax credit of R5m compared with last year's charge against income of R70,9m

TNC's normal tax jumped to R29,9m from the previous financial year's R18,8m, because of the higher interest income This reflects continuing strengthening of the balance sheet

Operating income has been clobbered more heavily than Amcoal's because TNC was hit by both lower profit margins on the export market and by a sharp fall in Eskom business Sales to Eskom dropped 16% to 11,2 Mt, following closure of the Komati power station, which took its coal from TNC's Koornfontein Mines Amcoal is benefiting from increased Eskom business as newly commissioned power stations fed by the New Denmark and New Vaal collieries build up to full output

TNC has done better than Amcoal on the export front and it now claims to be SA's largest coal exporter It exported 10,6 Mt (10,2 Mt) in the year to June, compared with the 9,9 Mt Amcoal exported in the year to March, which was 5,7% down for the year

The swing was due to the different marketing philosophies of the two groups. TNC has been selling more coal on contract, making it less exposed to the volatile spot market Amcoal's export tonnages dropped because it was not prepared to sell at the low spot market prices during much of its 1991 year

Tighter contracts

MD Mike Salamon says the policy is to sell more than 90% of TNC's coal on contracts and management has moved in the past three years to tighten the terms of its contracts Most coal supply contracts agree on a base volume that must be taken, with an optional additional amount Salamon says this system makes it very difficult to predict with confidence how much coal will be sold TNC no longer allows optional volumes in its contracts

Exports are the key to TNC's profitability, contributing 64% of revenues compared with 62% in the 1990 year TNC is maintaining its high export performance, unlike some other groups which appear to be slipping slightly behind on calendar 1990 sales tonnages

Total shipments through Richards Bay Coal Terminal (RBCT) are running behind schedule I am told that forecasts on RBCT's exports for this year have been revised from 46 Mt to between 44,7 Mt and 45,1 Mt It appears a major reason for this is that Far East customers are taking more of the cheaper Australian coal now on offer and extending their commitments for SA coal

Salamon indicates TNC will battle to improve on the 1991 earnings performance Its Koornfontein multi-product mine has experienced severe operating and financial problems with the closure of the Komati power station

The group continues to strengthen its balance sheet, writing off mining assets and goodwill worth R120m against the R109m paid by Eskom to buy the Usutu coal rights TNC also wants to rationalise the Optimum and Koornfontein operations and so defer the need to go underground at Optimum until the next century, when the capex will be easier to handle

At R16, the share, like other major coal stocks, looks expensive, unless investors are expecting further sharp falls in the rand/dollar rate

Brendan Ryan

Star 16/8/91

215

New challenger for coal exporters

LONDON — A spot contract signed by a Hong Hong power company has sent a shudder through the international coal market

The contract, for two cargoes would have attracted interest any way, being the first spot sale from Indonesia's newest and largest mine, Kaltim Prima

But it is the extraordinarily low delivered price of $33 a ton that has set the competition's eyes watering and presented a serious challenge to South African coal exporters

Asian price levels are dominated by Australian sales to Japan, which have been set this year at $39,85, but this is the price at the export port and does not include shipment and insurance costs

The Kaltim Prima sale to China Light and Power in Hong Kong has been struck on a different heat basis (6 300 kilocalories a kilogram) from that used for Japanese power company purchases from Australia (6 700 kcal/kg)

Nonetheless, Kaltim Prima has entered the spot market with a bang

What makes Kaltim Prima a particularly challenging competitor in the Asian market for both the Australians and South Africans is its close proximity to the big local markets of Japan, Taiwan, Hong Kong and South Korea

Richards Bay

The freight rate for the Hong Kong contract was struck at $3,75 a ton and one to Japan has recently been contracted at $4,25

These compare with current commercial rates of about $9 a ton from New South Wales to Japan and from South Africa's Richards Bay to Hong Kong

There is no likelihood, however that Asian spot prices will collapse to the new $33-a-ton level

For a start Kaltim Prima has little of the Pinang Coal it sold to China Light and Power available and has sold much of its higher quality (7 100 kcal/kg) Prima coal for this year and next

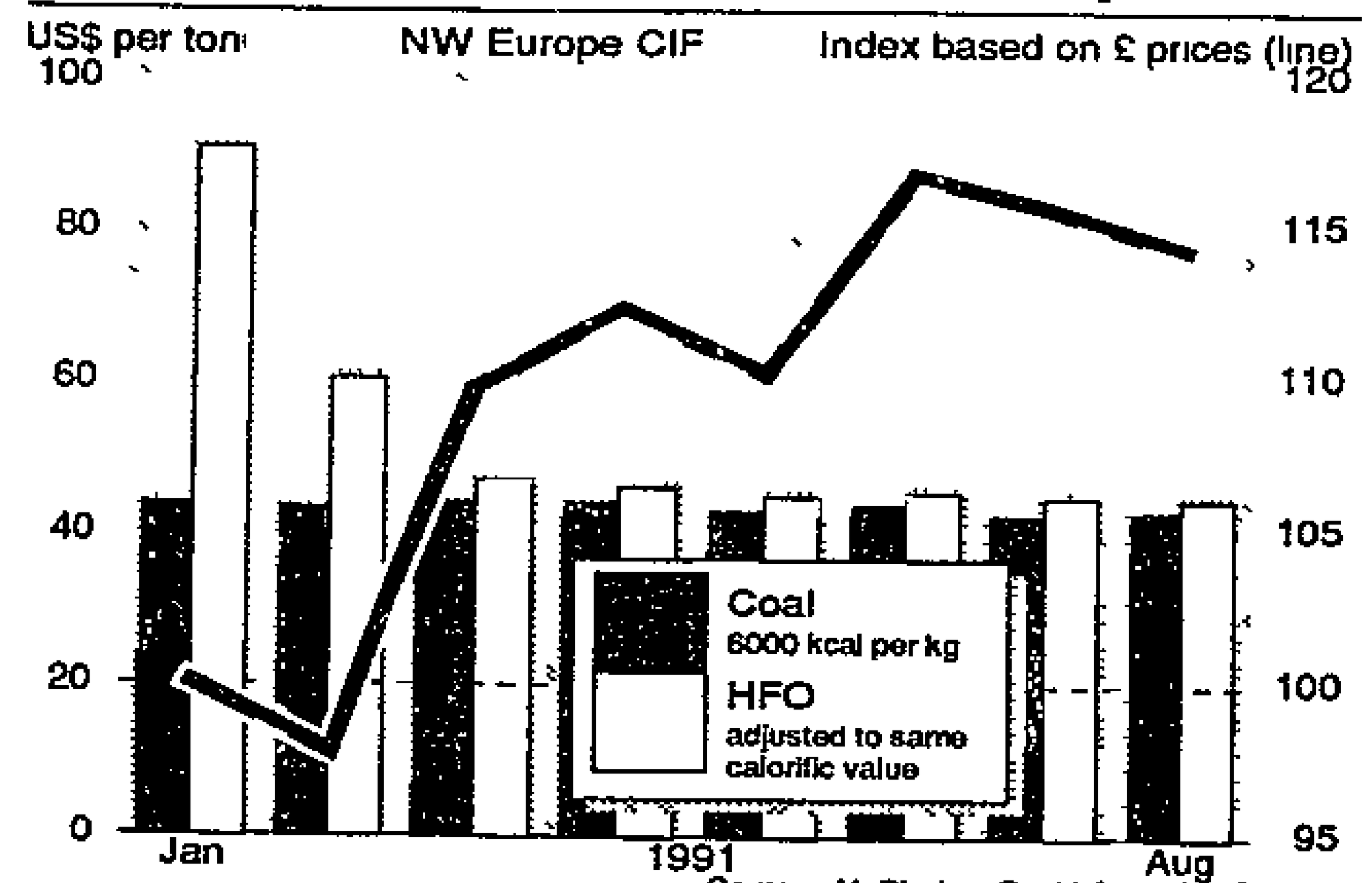
But the fact remains that the Hong Kong price was struck by what is probably the highest-cost of Indonesia's exceedingly low-cost new mines.

If this was not problem enough for the competition, Kaltim Prima's new terminal, capable of loading the largest — Capesize — coal carrying bulkers, is likely to be followed by two further Capesize terminals as well as a series of slightly smaller, Panamax, terminals

The ability to load Capesize vessels brings the big European market within reach of the Indonesian mines and it is no surprise that the first Capesize loading from Kaltim Prima will be a cargo for GKE, the Netherlands' power stations' coal buyer

Indonesia's competitors can take some comfort from the fact that three characteristics of Indonesian coal, its hardness (not true of Kaltim Prima but of all its other coals), its high volatility and its high moisture, do not suit all buyers' power and preparation plant

Coal and heavy fuel oil marker prices



Source McCloskey Coal Information Services

Waiting to see

In addition, they believe the world market is set for another burst of expansion.

The European spot market appears about to undergo a shift For much of this year it has been dominated by low-priced US steam coal and, particularly recently, a return of Soviet coal to full availability.

However, the US coal price, with a recovery of the domestic market, has risen $3 a ton recently to $36 a ton, fob the US Gulf

Buyers in Germany and, most particularly, France are waiting to see not just at what price, but from what country responses arrive in reply to their recent enquiries for large tonnages

Although changing ocean freight rates and fob prices and availabilities have shifted through the year, the North Europe MCIS spot market price has moved within a comparatively narrow band since its launch in January this year

This market, for steam coal of one percent sulphur or less, is from all exporting countries adjusted in price to match a standard 6 000 kcal/kg heat value and weighted for all steam coal deliveries from the countries concerned

It hit a low of $42,40 cif in July from a peak of $43,58 in June. The August price is $43,11 — Financial Times

S/Times (Bus Times) 18/8/91 (215)

Italians get all of Kangra Coal

By IAN ROBINSON and IAN SMITH

AGIPCOAL, a subsidiary of the giant Italian State energy corporation ENI, has taken total control of Kangra Coal Corporation, the producer and exporter built up by low-profile entrepreneur Graham Beck.

The international operator regards South Africa as an essential element in the world coal market. This motivated the acquisition of Kangra, says Agipcoal SA managing director Johan Jooste-Jacobs

Mr Jooste-Jacobs told Business Times "South Africa must be part of any company's portfolio if it is to be a truly international player in coal"

He would not disclose the value of Agipcoal's investment in SA, but described it as "substantial" in terms of its worldwide operations Mr Beck was not available for comment

Agipcoal's interest in expansion opportunities can be gauged by the fact that it was one of the bidders for BP's Middelburg operations which were eventually sold for more than R500-million

The Kangra deal gives Agipcoal control of two major collieries — Strathrey in the Carolina district, with annual production of 500 000 tons, and Spitzkop in the Ermelo district, which produces about 1,2 million tons a year Reserves total about 450-million tons

Both collieries produce high-quality low-sulphur coal which finds ready markets

The deal also entitles Agipcoal to an annual export allocation of 1,13- million tons through Richards Bay Coal Terminal (RBCT) at its current total annual capacity of 44-million tons Agipcoal's allocation will rise to 1,49-million tons by 1993 when Richards Bay export capacity is scheduled to reach 53-million tons a year

Oil

Agipcoal is now one of 10 holders of Richards Bay export allocations and it won representation on the RBCT board from June 1

Agipcoal SA is part of a group with operations in Venezuela, Australia, Italy and the US

Its presence in this country is intended to strengthen its position as a supplier to the international coal market It is following oil majors like Shell and Total into world markets instead of being merely a supplier to the captive Italian market

Agipcoal has negotiated a contract to supply 400 000 tons of coal a year to ENEL, the Italian State electricity corporation

Exports of SA coal to Italy are running at between 4-million and 4,5-million tons a year ENEL takes most

Agipcoal SA will export about 1,2-million tons a year It sells 500 000 tons in SA, mainly to industry in Natal.

Agip has maintained a low-key presence in SA since the early 1980s through subsidiary ICODEV It acquired reserves in the Carolina district and in the mid-1980s formed the Kangra Coal Corporation, a 50-50 venture with Mr Beck's group Kangra's management was under Mr Beck's control

Mr Jooste-Jacobs is optimistic about world coal demand and expects strong growth in imports to Europe and the Pacific Rim In Europe domestic supplies will decline as production becomes more expensive

The Spitzkop colliery is about 20 years old, but relatively new workings have been developed It has one opencast mine and two underground operations

☐ To Page 3

(11,2%) and Sage (10%) ... top five managers control 83% of investors' funds

He says that in spite of n... entrants, more funds are ... cruing to fewer managers ... Mutual has retained its m... ket share in the past t... years, while 17 share the r... of the market compared w... 12 in 1989

Mr Coombs says that ... Europe an asset base of l... than $500-million is conside... non-viable and in Austra... A$100-million is conside... the minimum sustainable si...

Unit trusts he conside...

Kangra Coal

S Times (Bus) 18/8/91

From Page 1

Strathrey, established in 1986, has two underground workings

Mining sources say net profit for the two mines in the last financial year was about R3,5-million. (215)

They say Agipcoal SA could double production capacity from the two collieries with relatively low capital expenditure But a major investment from the foreign parent could result in the quick development of a major player

Hopes for SA coal mining have been buoyed by the progress exporters have made in winning back markets while maintaining their foothold in new ones exploited after sanctions were imposed

World market prospects are not bright in the short term, but SA producers have succeeded in eroding the "sanctions discount" which helped them to maintain foreign sales after 1986

SA was the world's second-biggest exporter of steam coal last year, earning R3,52-billion in foreign currency

RAND MINES FM 23/8/91

Coal-fired

(215)

Following details of the Barplats deal with Impala Platinum, two more parts of the new-look Rand Mines have fallen into place, with the disposal of Lotzaba Forests and the restructuring of coal interests

Chairman Dammy Watt says sale of the investment portfolio is going ahead according to plan and an announcement on the sale of Vansa's vanadium mine and plant is imminent, but won't add anything to the forecast earlier this year that Rand Mines' total dividend could be cut as much as 50% because of the R343,5m borrowings the house has been forced to shoulder as part of the price of doing the Barplats deal

The house's fortunes are overwhelmingly dominated by coal The key point in Witbank Colliery (Wit Colls)'s circular to shareholders is that Wit Colls is predicting at least a 50% jump in attributable earnings for its 1992 financial year. The document predicts earnings of 1 738c a share for the year to September 1991 with a real increase for 1992 on an enlarged capital

Wit Colls is issuing 2,4m shares worth R290m to acquire Rand Mines' various coal interests — mainly minority stakes in Wit Colls' operating collieries As a result, Rand Mines' stake in Wit Colls will rise from 70,8% to 77,4% The Wit Colls shares will be split 10-for-1

A real increase on the enlarged capital

Continue →

FM 23/8/91 (215)

implies a rise of at least 15% in earnings on 10,2m pre-split shares That, in turn, means a jump in attributable earnings of at least 50%, from this year's R135m to R204m

The forecast, along with favourable market reaction to the decision to split the shares, is what sent the Wit Colls share price shooting up to a 12-month high of R135 before slipping back to current levels

The increase in earnings is expected to come from the benefits of a more favourable rand/dollar rate on next year's sales and extra income from the assets being acquired

What is not spelt out is the longer-term reasoning behind the deal, which lays the corporate groundwork for a planned major rationalisation of operating collieries by taking out Rand Mines minority shareholders

Only the interests of Wit Colls minorities need be considered in the proposed rationalisation, about which Wit Colls directors will not comment at this stage

Aim is to reduce working costs through a rationalisation of where various coal reserves are treated and to plan future operations to make the best use of existing infrastructure

However well Wit Colls may do, the overwhelming dependence that Rand Mines now has on one commodity, coal, is strategically unhealthy It remains to be seen what controlling shareholder Barlow Rand intends doing about the overall structure of its mining and related interests, which include ferrochrome, stainless steel and cement — all held outside Rand Mines *Brendan Ryan*

Mine effluent ruined my land

S Times 25/8/91

(215)

By STEPHANIE HULL

AN ELDERLY farmer claims his land was destroyed by pollution from a nearby coal mine.

Mr Francis Hopkins, 65, plans to take legal action against Eskom and Genmin in his quest for compensation He will also submit an affidavit to the attorney-general of Natal

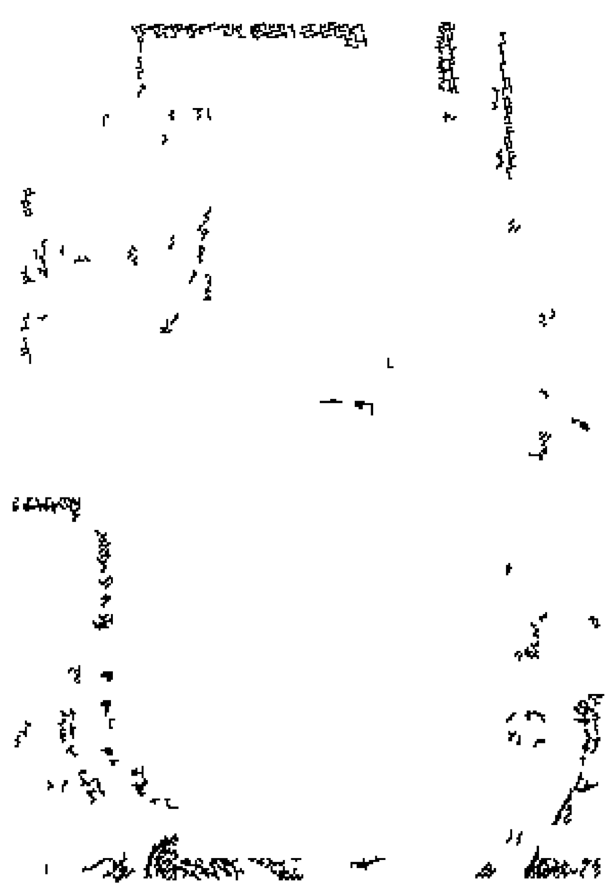
He claims the companies are responsible for a flood of polluted water from a Newcastle colliery which contaminated his water, destroyed part of his grazing, caused the death of thousands of chickens and forced him to stop farming the land.

Mr Hopkins will demand more than R900 000 in damages as well as restoration of the land, which could cost as much as R3-million.

"They have destroyed my dream," said Mr Hopkins, who is on the verge of bankruptcy.

In hospital until last week with a heart condition, he is determined to ensure that those responsible restore the land.

According to the retired horticulturist, the 80-hectare farm on which he was farming thousands of chickens and some cattle was thriving until a year ago



FRANCIS HOPKINS
Ailing and angry

He became aware that there was a problem when frogs deserted his dam and small animals disappeared from the veld

Then his cattle became reluctant to drink from the dam

Suffered

In August last year and again this January, his wetland area was flooded by a huge volume of water which, he claims, came from the Kilbarchan Colliery, owned by Eskom but run by a Genmin subsidiary, Trans-Natal Coal Corporation

He claims the water has been intermittently running on to his farm ever since and that he was told by Kilbarchan that there was nothing it could do to stop the flow

Elderly farmer demands massive damages

He commissioned Natal University scientist Professor Martin Fey to analyse his ground and surface water

Dr Fey found that the dam and two of the three boreholes on the farm were severely polluted He told Mr Hopkins it would take many decades to remove salts from the wetland, and that the boreholes might never recover.

Mr Hopkins said. "I would have liked to settle this matter out of court, but all the colliery has done to date is offer to buy my farm for R290 000

"There's no way that amount will cover the losses I have suffered, but even more perturbing is that there is no guarantee they would restore the land if they bought it

"I want to ensure that they either give me the millions needed to make this land arable again, or undertake to do so themselves"

Mr Johan Kriek, the senior manager of Natal mines at Trans-Natal, said when Mr Hopkins told him that "allegedly polluted" water from the mine was running on to his property, it was investigated and the flow was stopped He denied that any water was still flowing

He said Trans-Natal had offered to drill a new borehole and rehabilitate the polluted portion of the property "without accepting responsibility for the alleged pollution". The offer was rejected

A spokesman for Eskom said that in terms of Trans-Natal's contract to run the mine, Trans-Natal was responsible for environment management and legal action against Eskom would be inappropriate

Sasol profits break R1bn barrier for the first time

215

BDay 4/9/91

BRENT VON MELVILLE

EXPANSION-driven Sasol has beaten market expectations to boost attributable profits 39,5% to more than R1bn (R746m) for the first time, translating to earnings of 184,7c (132,4c) a share

The dividend was bolstered 20% to 71,5c (59,5c) a share.

Market analysts were expecting earnings and dividends at about 175c and 70c respectively. Mathison & Hollidge analyst Rob Kadish said the results had been difficult to assess because of the change in the group's accounting policy for deferred tax

He said however that the results had generally been better than expected Ahead of results yesterday, the market pushed the share price up 80c (5,5%) to R15,10

The strong bottom-line performance came on the back of a 50% jump in turnover to R7,6bn (R5bn) and a 55% rise in operating profit to R1,9bn (R1,2bn), largely as a result of the incorporation of Sasol III's results for the first time

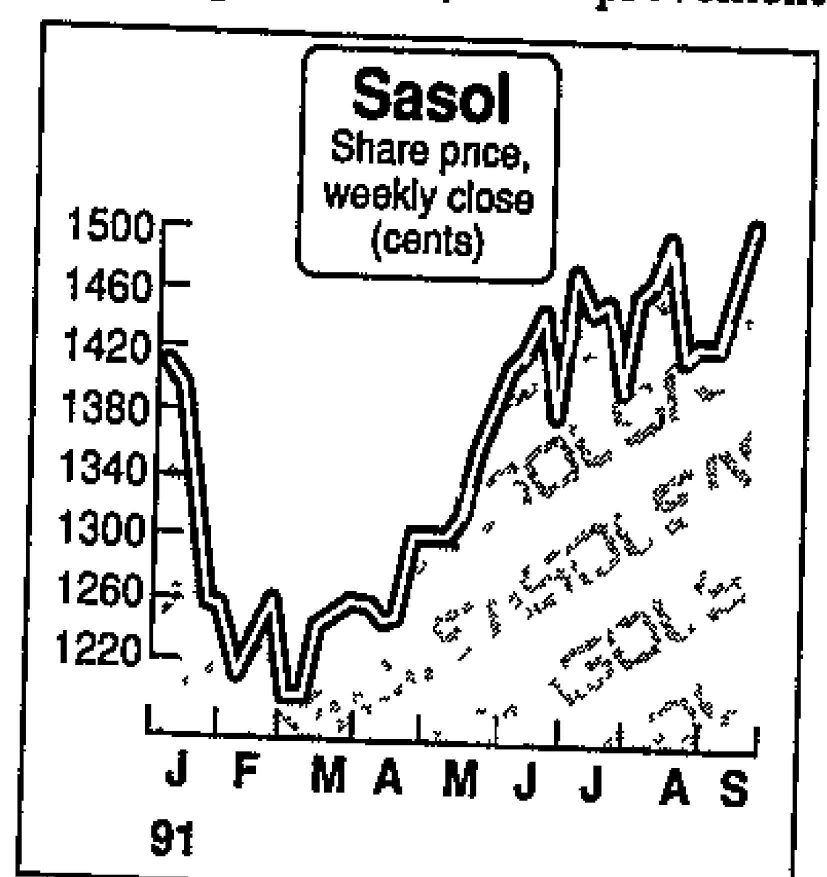
After finance charges however — at R372,3m off interest bearing debt which jumped to R2,2bn (R416,5m) — net income before tax was up 14,6% to R1,5bn (R1,3bn) The increase in debt arose largely from the R2,9bn acquisition of Sasol III

The effective tax rate moved up to 31% from 19% last year, as tax benefits accruing from the commissioning of a number of high value capital projects were used up Provision for taxation was up R215m to R470m

Sasol chairman Joe Stegmann attributed the improvement to high refining margins on international petroleum product prices stemming from the Middle East crisis, the takeover of Sasol III from the Central Energy Fund, increased output at Sasol II and Secunda Collieries and the Sasol Polymer's marketplace entry.

Stegmann said the higher petroleum prices had resulted in the elimination of tariff protection for the indigenous fuels industry for a full seven months of the financial year

Turnover of the group's fuel products increased by 24,7% to R5,8bn, resulting from a 3,5% improvement in sales volumes and high petroleum prices during the Gulf war



Graphic LEE EMERTON Source I NET

Divisionally Sasol I's contribution was hit by the costs of maintaining the older sections of the plant, the high ash content of the coal from the Sigma Colliery and the increased cost of chemical raw materials

Group MD Paul Kruger said the full benefits of the group's R900m upgrading plans for the plant would be felt only in 1992/3

Conversely Sasol II (which produces synthetic oil and ethylene) showed strong growth during the year, and operated consistently at levels well above design.

Sasol III (automotive fuels) performed substantially better than the previous year

Turnover increased 37% while oil production climbed 17%

On the coal side, Sigma Colliery had a poor year as a result of adverse geological conditions, while Secunda Collieries achieved a set of strong results for the year, producing 30,5-million (29,2-million) tons of coal The mine however is still 4,5-million tons shy of meeting the total coal requirements of Sasol II and III

Kruger said it was with this in mind that the group had commissioned the new R1bn Syferfontein strip mine, to produce 7-million tons of coal a year by 1993 and bring total production to about 43-million tons

Trans-Natal planning to close loss-making Kilbarchan mine

Trans-Natal Coal Corporation says the Kilbarchan Colliery near Newcastle in Natal is to be closed unless new strategies can be devised to make the mine viable again. Star 5/9/91.

In the 1990-91 financial year, the mine showed a loss of R7 million and in July-August a loss of R2 million, despite management's efforts to reduce costs (215)

Mike Salamon, managing director of Trans-Natal, says it will be impossible to continue operating the mine unless production costs are reduced substantially.

Employees and employee representative organisations have been told of the mine's problems and how some of these problems are being addressed Management has also asked employees to come forward with ideas which could reduce production costs and make the mine more viable

The mine's mineable coal reserves are sufficient until March 1992.

Kilbarchan's clients have been assured that, if production at the mine is stopped, their requirements can be sourced from other mines within the Trans-Natal Group — Sapa

Natal coal mine looks for reserves to avoid closure

(215)

MATTHEW CURTIN

TRANS-NATAL's Kilbarchan coal mine, near Newcastle in Natal, faced closure in a matter of months unless it was able to slash working costs and find extra payable coal reserves, Trans-Natal senior manager Johan Kriek said yesterday.

The colliery would close within 10 months if two feasibility studies under way showed that potential new coal reserves near Newcastle were not viable.

Kilbarchan currently produced about 1-million tons a year for inland consumption and export but it needed to produce about 3-million tons a year to survive, Kriek said. B/Day 5/9/91

One of the areas which were under investigation looked promising, and the results of the feasibility study were expected in October.

If Trans-Natal opened up the new reserve, it would use Kilbarchan's infrastructure and 850-strong workforce to develop the new area. The mine's reserves would last only until March next year.

The colliery turned in a R7m loss in 1990/1991, as labour unrest accentuated the problems of a static coal price and escalating costs. In July and August the mine's loss was R2m despite attempts to reduce costs.

Kriek said the cost of sales exceeded revenue by 20% this year, against 15% last year.

He noted the costs of coal mining in Natal were typically higher than mining in the Witbank area because of the depth of the coal seams, more difficult mining conditions and geological disturbances.

MacPhail steady as demand levels off

ANDREW GILL

COAL marketer and distributor MacPhail yesterday reported a marginal increase in earnings for the six months ended June to 17,5c a share from 17c

(215)

The W & A subsidiary declared an unchanged dividend of 5,5c a share in reporting turnover up 5% to R101,5m from R96,3m

Operating profit climbed R100 000 to R4,7m while attributable profit was up 3% to R2,48m

B/Day 11/9/91.

MacPhail CE Sid Weintraub said effective asset management and overhead control countered difficult trading conditions in the recessionary climate resulting in a marginal earnings increase

The recessionary conditions, he said, had resulted in demand levelling off He did not anticipate any significant improvement in trading conditions for the second six months, but earnings per share were not expected to decline for SA's largest coal marketer and distributor

The company had R12,5m of funds on deposit at end-June and continued to be totally ungeared The company's unaudited balance sheet showed the net asset value per share higher at 156,5c a share from the December year-end figure of 148,7c The share fell 10c yesterday to 230c

Another coal terminal mooted

B10cu 13/9/91 (215)

MATTHEW CURTIN

SA IS set to build a second export coal terminal at Richards Baby, as small coal-producers look to export markets, says the SA Coal Report

In a recent bulletin, the independent journal said despite the lack of information on a second export terminal, it was "almost a certainty that a second terminal will be built at Richards Bay"

The journal said small producers had been looking at export markets since the deregulation of coal exports on April 1.

Although there was ample railway capacity, alternative export facilities at the Richards Bay coal terminal, whose capacity was taken up by the large producers, were inadequate, sparking interest in the building of a new terminal.

Portnet spokesman Louis Nieuwoudt said yesterday a feasibility study being carried out with a group of coal producers was still in progress. No specific tonnages had been identified yet, but the terminal would be capable of handling 10-million tons of coal a year.

He said Portnet would investigate how the terminal might be financed only once it had commitments from coal producers that they would supply at least 10-million tons for export A final decision was unlikely until next year

However, Frankel Kruger analyst Kevin Kartun said the question of a second terminal was academic until rand-dollar prices improved. He echoed fears raised this year by Amcoal chairman Graham Boustred and coal terminal chairman Allen Sealey that the SA coal industry would suffer if export volumes rose too fast. A jump in exports would make markets jittery about oversupply and depress already sluggish prices

It is understood that coal companies Gold Fields Coal, Messina Coal and Kangra, recently bought by Italian company Agip, are interested in using a new terminal.

Gold Fields' new business division GM Peter Janisch said the coal division had extensive coal reserves. With little prospect of new Eskom business, the alternative was to seek export markets.

Kangra director Clive Beck would not comment yesterday, but Messina MD Dame Kirsten said the company was producing coal which needed export facilities

Coal exporters in row over terminal

S1 Times (Bus) 15/9/91 (215)

By IAN ROBINSON

COAL producers are squabbling about whether a second terminal should be built at Richards Bay to handle increased exports

The cost of the project is between R500-million and R600-million

Major coal producers are worried because an increase in exports of 8-million to 10-million tons through a second terminal to an overtraded world market could result in a softening of prices

They include Amcoal, Gencor's Trans-Natal, Rand Mines and international oil companies Shell and Total

They have for years enjoyed protection from competition by Government export allocations But protection fell away last year when coal exports were deregulated

Risk

Aspirant exporters counter that producers such as Indonesia, Colombia and Venezuela are going ahead with large expansion projects which will increase world supplies irrespective of SA's contribution

It is thought that potential newcomers to the coal export trade include big names such as Sasol, Iscor and Gold Fields of SA Smaller mines in this category are likely to include Kangra and Messina Investment

The companies decline to comment on their involvement in the Richards Bay project

Existing exporters are shareholders in Richards Bay Coal Terminal (RBCT) which loads their coal at the port. The newcomers would therefore have to risk capital to construct a terminal of their own

They would also need additional port facilities from Portnet They are conducting a study with Portnet to determine the feasibility of the venture

Portnet confirms that a study is in progress, but declines to name the companies involved

A Portnet spokesman tells Business Times no specific tonnages have been committed But at least one additional berth would have to be provided

An RBCT spokesman says the decision to build a second terminal should be carefully weighed He says it would not be possible to build and operate a small greenfields terminal which could match the reliability and efficiency of the existing one.

He maintains that to match the existing terminal's economies of scale, the new one would need "considerable subsidy of some form or other"

"Such subsidy would be unacceptable to the existing users of RBCT," he says

A Portnet source says his organisation does not see its role as deciding who should export or not If it is asked by coal mines to provide more export capacity, it must respond to their needs

However, the Government at one stage undertook to discuss increased exports with existing exporters before making a decision

Steps

Expansion of the RBCT due for completion by January 1992 is within budget of R316-million This will raise annual throughput capacity from 44-million to 53-million tons But the actual rise in throughput will be limited by growth in foreign markets

It is planned to raise exports in steps of about 2-million tons each year Exports should reach about 48-million tons in 1992

The RBCT is a private company and representation on the board is directly proportional to export entitlements allocated to its shareholders

Ten companies are involved and their entitlements are in proportion to their contributions to the provision of terminal facilities

Coal group set for JSE

CT 18/9/91

215

Own Correspondent

JOHANNESBURG — A new coal mining group called Smaldeel Coal (Smaldel) should be listed on the JSE main board in October pending final approval by the exchange.

An announcement of the listing and the private placing of 10m ordinary shares at 80c a share is expected tomorrow. The group plans to raise R8m.

The shares have been pitched at the stated net asset value of 80c a share

After the offer, Smaldel's issued share capital base will have increased to 44m ordinary shares, boosting shareholders' equity to R34,2m from R27,2m

Smaldel's current asset is its 100% interest in Smaldeel Collieries in the Ogies/Kendal area in the Eastern Transvaal The mine, according to the listing prospectus, has an estimated life of 25 years with an ore reserve of 29mt valued at R35m.

Kinsman said the shares on offer were being made available on a ratio of R1 for every R2 invested by controlling shareholder Safcoal Safcoal would hold about 77% of the issued share capital.

Smaldel's prospectus forecast showed earnings of 3,7c a share for the 1992 financial year to July with an average earnings growth of 77% for the three years to 1995 The group plans to pay a maiden dividend of 1,3c a share for the 1993 financial year.

Kinsman said operation of the mine would commence on October 1 with an immediate production target of 50 000 tons a month of grade B washed coal and 15 000 tons of raw coal nuts.

However, Kinsman added, the mine planned to increase its production target to 80 000 tons a month after the first six months He said Smaldel was involved in negotiations to acquire two additional ore deposits.

New coal group ready for listing

B Day 18/9/91

SEAN VAN ZYL

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(215)

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However, Kinsman added, the mine planned to increase its production target to 80 000 tons a month after the first six months.

He noted the coal would be marketed by Coalbrite Distributors. Smaldel had entered a marketing agreement with Coalbrite to handle the total coal produced for the next five years.

Although the coal produced was intended for local industrial application, the directors expected roughly 30 000 tons would be allocated as part of larger consignments intended for export

He said Smaldel was involved in negotiations to acquire two additional ore deposits.

Coal profits cut by rise in costs

BDay 26/9/91 215

MATTHEW CURTIN

A STEEP hike in working costs slashed the profit on SA steam coal exports, Chamber of Mines economist Francois Viruly said in the chamber's latest newsletter.

The price of steam coal exports rose to R82 a ton from R81 a ton in 1990 in the first half of this year, only a 1,2% increase. In contrast, production costs climbed 20% to R42 a ton from R35. Transport costs rose to R36 from R33 a ton, knocking the overall profit margin back by 69%.

Viruly said: "Although the recent depreciation in the rand increased the rand price of steam coal to R90 a ton, the increase was well below the rise in working costs."

He said analysis showed that the so-called "political discount" — offered encourage customers to buy SA coal when sanctions were in force — had all but disappeared.

Outstanding price differentials reflected differences in the quality of coal exports.

SA's ability to compete in the post-sanctions era would depend on the rand exchange rate, international coal prices and whether working and transport costs could be contained.

Viruly said the degree to which SA coal industry had weathered sanctions — coal exports rose 5% between 1985, when sanctions were imposed, and 1990 — reflected the determined marketing efforts of producers.

Coal exports euphoria misplaced, says analyst

(215)

B Day 11/10/91

MATTHEW CURTIN

THE JSE's coal index has so far this year more than made up the ground lost after 1986, when sanctions were imposed on SA exports, but much of the current euphoria is misplaced or at least overdone, says Mathison and Hollidge analyst Tony Rogers.

Rogers, speaking this week, said that despite the fillip the industry gained this year from the lifting of EC and US sanctions, the prospects facing export and domestic markets were not exciting.

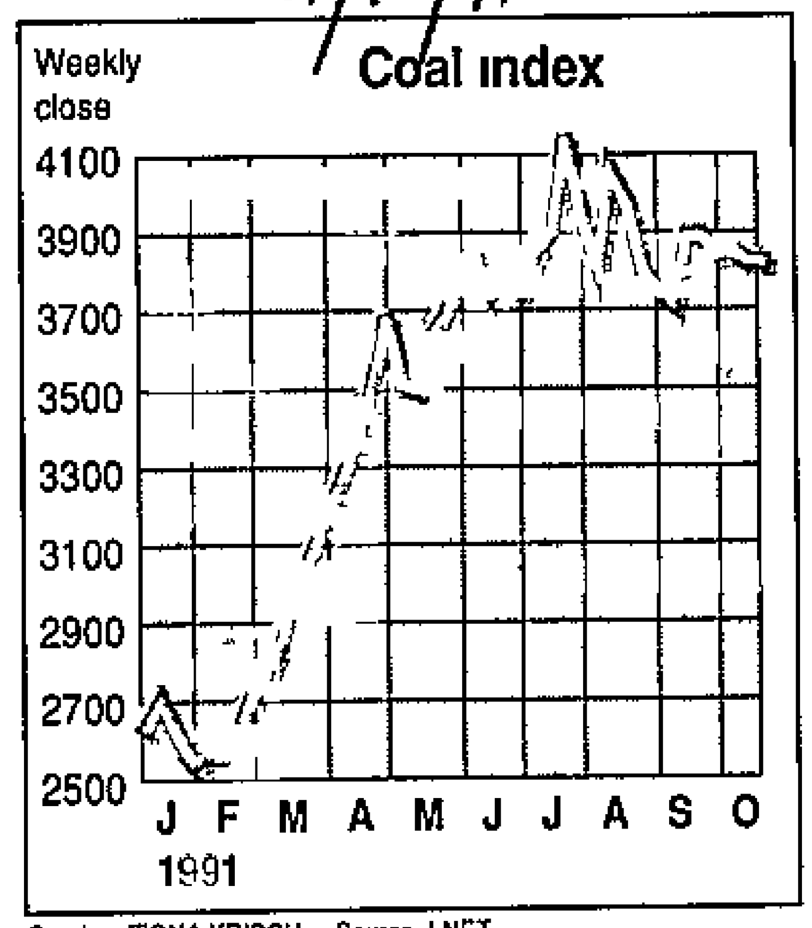
Long-term earnings growth, assuming static volumes after 1995, would be limited to dollar-price increases, depreciation of the rand, or the ability of local producers to reduce cost increases to internationally competitive levels, he said.

However, he noted the weakness in the international steam coal market prevalent in the second half of last year had continued in 1991, with a finely balanced demand-supply position swinging to one of marginal oversupply

Mounting supplies overseas had knocked steam coal prices.

Australian producers increased export tonnages by 10% in 1990 over the year before, because of improved industrial relations and productivity drives

Indonesia was expected to increase coal output by 30% this year and by another 21% in 1992, with about 60% of production set for export markets. Exports were increasing from Columbia and Venezuela, with the threat of China becoming a major coal exporter in the longer term.



Graphic FIONA KRISCH Source I NET

Although the US National Coal Association estimated world coal trade would grow by 2,8% a year, Rogers said the immediate danger was that new supply would more than match those levels, and coal prices would remain sluggish for some time.

SA exporters had won 3% to 8% better prices in Europe — against Australian gains of less than 3% — and increased sales in the past year as sanctions were lifted "Political" discounts on SA coal prices had disappeared, and the freeing of the market had reduced the competition between local exporters

However, Rogers said that competition in Europe was fierce and volumes in the medium term were expected to be static. SA producers would increase sales only by winning business from competitors, raising the spectre of a price war

SA exporters were not in a good position to capitalise on growing international demand. Despite the expansion in the Richards Bay coal terminal from its current capacity of 49-million tons a year to 53-million tons by next year, Spoornet would only have rolling stock — new "jumbo" wagons — to match the new capacity by 1994/1995

Margins for the coal companies were not adequate at present to justify capex for the construction of new export facilities or for expansion of the existing terminal again Furthermore, the development of new coal reserves, likely to be of lower quality, would be restricted also.

Within SA, the prospects for growth were poor as the increase in Eskom's electricity demand tapered off Annual growth in 1984 was 8%, but last year fell to 1,4% from 3,7% in 1989. Power stations had been mothballed and planned expansions delayed, as electricity demand was hit by the recession

Rogers said that, contrary to general perceptions, supplying coal to Eskom could be risky.

The phasing in or out of power stations had important effects on companies which contracted to supply their coal

The mothballing of the Komati and Camden power stations knocked the profitability of Trans-Natal's Koornfontein mines — operating profit fell 30% this year — as the amount of coal the company supplied to Eskom fell from 13,4-million tons in 1990 to 11,2-million tons for this year.

COMPANIES

Duiker lifts quarterly profit 42%

ANDREW GILL

LONRHO'S Duiker Exploration yesterday reported 42% higher profits for the September quarter thanks largely to sharply higher anthracite sales

Profits after tax of R7,5m were reported for the quarter compared with R5,3m for the June quarter

B/Day 18/10/91

At year end, pre tax profit rose 72% to R31,2m and after tax profit 43% to R15,7m

September quarter steam coal sales were lower at 1,05-million tons from 1,19-million in the June quarter but anthracite sales were up sharply to 211 027t from 3 190t in the previous quarter

Directors warned that revenue from sales did not accrue evenly over the year

215

Gold sales were unchanged at 63kg but on a year on year basis were up to 235kg from 209kg

Anthracite sales of 518 000t for the year were up sharply on 296 000t the previous year

Management declared a dividend for the year 5c higher at 35c on a 32,9c rise in earnings a share to 109,2c

Earnings after capital expenditure for the quarter were, however, lower with spending up to R5,4m from R891 000 the previous quarter

Exports boost for Witbank Colliery

ANDREW GILL 215

RAND Mines' Witbank Colliery has reported a slight increase in attributable earnings for the year ended September on a steady increase in turnover and increased export sales.

Turnover rose 14,5% to R1,244bn from R1,087bn and operating profit was 4% higher at R252m. After-tax profit for the year was R145m from R143,9m after a R2,2m tax bill.

A final dividend of 39c a share was reported, to bring the total for the year to 60c, unchanged from 1990 on an earnings increase of 1c to 185c a share. BDay 22/10/91

The Rand Mines coal arm recently underwent restructuring as well as a 10-for-1 share split and a 24,1 million share issue. However, the new shares do not qualify for the final dividend.

Export tonnage increased by 11% to 8,7-million tons as a result of the inclusion of Middelburg mine tonnage for the whole year, while Eskom consumption rose 9,6% to 12,4-million tons. Inland tonnage dropped by 11% to 2,7-million tons.

Directors said higher sales, better prices and the effects of a weaker rand/dollar exchange rate had led to improved export earnings, and more than offset increased working costs and rail tariffs. They said cost control measures were successfully implemented during the year.

"Income from coal sales to Eskom increased mainly as a result of the higher capital invested." Other inland sales fell.

Financing costs were marginally higher at R51,9m because of the inclusion for the full year of interest on Middelburg Mine borrowings raised in 1990.

According to a statement, R9,1m in compensation was paid to a supplier on cancellation of a dragline purchase. This was treated as an extraordinary item.

Greenhouse effect: In SA coal is the real villain

215

W/Mail 25/10-31/10/91

ALTHOUGH the depletion of the ozone layer and the greenhouse effect are not pressing issues yet in South Africa, they can't be wished away.

An environmental system that addresses only local issues would not be looking at the big picture.

So where does South Africa fit into that picture, according to the President's Council environmental report? Chlorofluorocarbon (CFCs) gases, found in aerosols, air conditioners and fridge and the like, have been identified as a threat to the ozone layer.

The report notes that South Africa's contribution to the total world consumption is a mere one percent or 12 000 metric tons. Of this total, 50 percent was used during 1986 for aerosols, 30 percent for cooling systems, and 20 percent to make plastic.

South Africa is a signatory to the Montreal Protocol, which commits countries to phasing out the use of CFCs, but the mining industry has said phasing out will be expensive. The report recommends "special attention" to the problem.

CFCs also contribute to the greenhouse effect, which promises to make things literally hot for earthlings. But the most plentiful greenhouse gas is common or garden carbon dioxide. After CFCs comes methane in order of importance.

South Africa's calculated proportion of the contribution to the greenhouse effect amounts to two percent of the estimated world total.

"However, in terms of carbon dioxide emissions over our own territory, the picture is less rosy." In 1987 South Africa produced around 332-million tons of carbon dioxide, most of it from the energy industry, with motor vehicles a close second.

The villain, of course, is coal, which provides more than 80 percent of our energy consumption.

TRANS-NATAL COAL FM 25|10|91 (215)

Taking the exports lead

Activities: *Coal producer supplying both inland and export markets*
Control: *Gencor 41%*
Chairman: *B P Gilbertson; MD M Salamon.*
Capital structure: *70,5m ords. Market capitalisation. R934m*
Share market: *Price R13,25. Yields. 5,7% on dividend, 13% on earnings, p·e ratio, 7,7, cover, 2,3 12-month high, R16,75; low, R10,25 Trading volume last quarter, 1,2m shares*

Year to June 30	'88	'89	'90	'91
Coal Sales (Mt)	33,8	30,2	30,3	27,5
Turnover (Rm)	874	1 071	1 386	1 427
Pre-tax profit (Rm)	1,3	71,4	221,1	162,0
Earnings (c)	(4,2)	76,4	165,5	172,0
Dividends (c)	—	30	60	75

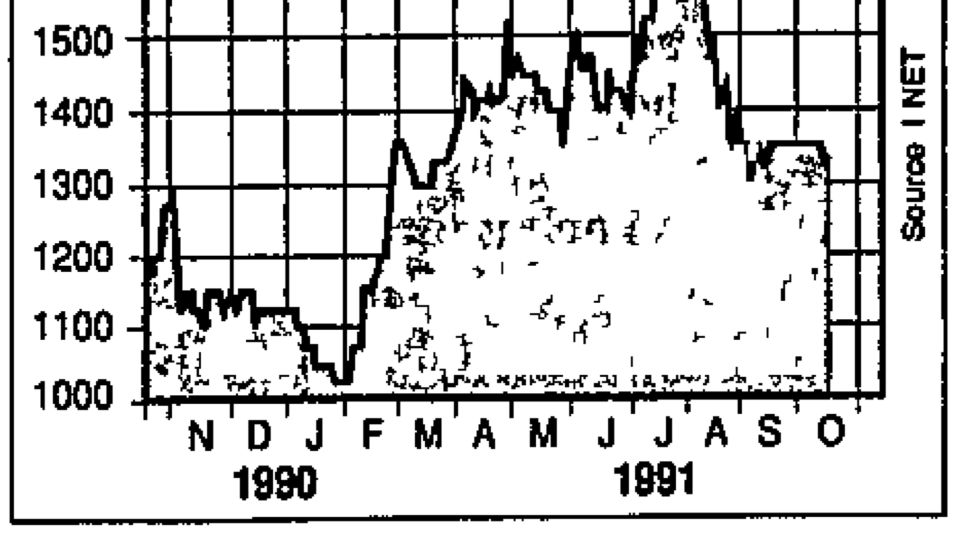
The share price has eased from a 12-month high of R16,75 to around R13,25 since preliminary results were released in August Reason appears to be investors have finally realised that, despite record earnings and export volumes for the year to June, the fundamentals for coal are not that exciting.

Trans-Natal Corp (TNC) owes its record earnings to tax cuts in this year's Budget, that lowered the tax rate from 54,5% to 50,88%. The effect on deferred tax was a credit of R5m, compared with a charge of R70,9m for financial 1990.

The group was hammered on the domestic market by a 16% fall in sales to Eskom, following the utility's decision to close Komati power station, which had serious repercussions on productivity and profitability.

The Koornfontein Mines division ran at a loss for the five months to end-May, while retrenchment of 423 employees severely disrupted labour relations on this mine That was the major reason overall group employee productivity improved only 1,3%, against a target of 14%. Other individual mines achieved productivity increases of 10%-25%

Exports contributed 64% of revenue TNC overtook Amcoal as SA's largest coal exporter, with 10,6 Mt for the year to June, compared with Amcoal's 9,9 Mt for the year to March. TNC sold more coal on contract than Amcoal, cutting its exposure to the volatile spot market, and tightened the terms of its contracts.



Trans-Natal's Salamon *market remains finely balanced*

Most contracts agree on a base volume that must be taken with an optional additional amount. That made it difficult to predict sales volumes with confidence and TNC no longer allows optional volumes

TNC is maintaining high export performance but the steam coal market is soft, with forecast total Richards Bay Coal Terminal shipments for calendar 1991 down around 45 Mt from the previous estimate of 46 Mt.

MD Mike Salamon says the market remains finely balanced, with no shortage of coal Despite this, he hopes to get dollar price increases in the negotiations for 1992 delivery which will start within a month.

Salamon feels there is scope for SA producers to get higher prices through further reductions in the "political discount" He also hopes a recovery in the US economy will boost US domestic coal prices and so reduce the tonnages of US coal forced into exports.

Management is taking a number of steps to cut costs at Koornfontein as well as optimise use of the division's reserves. These include increasing output from the Gloria section to send more coal to the nearby Optimum Colliery for sale to Hendrina power station, which Optimum supplies.

The Gloria section started production in January, built up to 170 000 run-of-mine t/month from three continuous miner sections by June, and plans to have another two sections in operation by December.

Salamon is looking for a 7% improvement in employee productivity this year but warns this depends on high production levels being maintained. That means there cannot be any more unexpected shocks from Eskom

The group took the opportunity to strengthen further its balance sheet by writing off mining assets and goodwill worth R120m against the R109m paid by Eskom to buy the Usutu colliery coal rights A welcome innovation in the annual report is the four-page section on environmental management and rehabilitation activities

Chairman Brian Gilbertson says TNC will be hard pressed to maintain earnings This will depend largely on developments at Koornfontein and what happens to the rand/dollar exchange rate The short-term outlook is not exciting and the share looks fully priced

Brendan Ryan

EVERITE FM 25|10|91

Slashing costs

Activities: *Manufactures fibre reinforced cement and other products, mainly for the building sector.*
Control: *Nueva Holdings (Switzerland) through Everite Holdings*
Chairman: *G Buettiker, MD G M Thomas.*
Capital structure: *88,9m ords Market capitalisation· R240m*
Share market: *Price 270c Yields 2,4% on dividend, 2,6% on earnings; p e ratio, 39,1; cover, 1,1 12-month high, 275c, low, 220c Trading volume last quarter, 28 000 shares.*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	10,7	4,7	23,6	15,6
LT debt (Rm)	11,8	11,7	2,2	2,6
Debt equity ratio	0,06	0,03	0,05	0,05
Shareholders' interest	0,75	0,75	0,74	0,78
Return on cap (%)	7 5	10,3	7,6	2,4
Turnover (Rm)	326	373	352	334
Pre-int profit (Rm)	29,0	40,5	32,7	11,4
Pre-int margin (%)	8,2	10,7	9,1	3,4
Earnings (c)	21,0	26,0	21,6	6,9
Dividends (c)	11	13	13	6,5
Net worth (c)	302	329	356	419

With sales volumes down by almost a third over the past two years, something obviously had to give in order to compensate for lost economies of scale. It turned out to be 945 jobs, or 19% of the year-ago work force, including 408 positions permanently scratched after a cost-cutting evaluation undertaken during the closing months of the 1991 financial year

Main focus of this exercise was on Everite, which has been split into two divisions — building products and pipes. Most of its administrative structure was scrapped, to reduce fixed overheads In all, the group estimates permanent cost savings of R13,5m (in current money terms) which, by itself, would have doubled both pre-tax profit and attributable earnings last year

Short-term benefits could be even greater, as the above estimate is based solely on jobs

continue →

Sasol to export coal

S/Times (BUSS) 27/10/91 (215)

By IAN ROBINSON

SASOL plans to become a coal exporter.

Production from its new R1,3 billion Syferfontein mine near Trichardt in the Eastern Transvaal will exceed Sasol's needs. Officials say high-quality coal from the No 5 seam will be available for export.

Exports could total a million tons a year, but the coal would have to be upgraded by a washing plant. This would require further capital expenditure as coal produced for Sasol's use does not need to be washed. It is merely crushed and screeneed.

Since 1982, demand for coal from Sasol 2 and 3 has exceeded supply from its Secunda Collieries as a result of greater operating efficiencies. Sasol has had to buy coal. In the last financial year it bought 2,7-million tons.

When Syferfontein reaches full production it will raise Sasol's output from its Sigma Colliery (for Sasol 1), Secunda Collieries and Syferfontein to an annual 43-million tons.

That would nearly equal output by Amcoal, South Africa's largest coal miner.

Sasol is believed to be involved in moves to establish a second coal export terminal at Richards Bay.

Value of coal exports 'to rise'

B/Day 31/10/91 (215)

MATTHEW CURTIN

THE rand value of coal exports will improve by 15% in 1991 to R4,6bn as the value of SA's non-gold exports continues to creep up on the value of gold exports, the Minerals Bureau has predicted in its 1990 review of SA's mining industry.

Gold earnings in 1991 were put at R20bn, a 5% year-on-year increase after a 0,7% fall in gold production to 600 tons by the end of the year.

The bureau said the value of non-gold exports would increase by 9% to R12bn. About three-quarters of SA mineral production is exported.

With world economic growth staying at depressed levels, knocking demand for minerals, average dollar export prices of most commodities were not expected to rise significantly by the end of the year. The bureau said "This could, however, be offset in large measure by the expected decline in the value of the rand"

In the report issued this week, the bureau said the international supply and demand situation for steam coal would be tight overall in 1991. Thanks to higher oil prices in the wake of the Gulf crisis, SA's export tonnage would rise 1% overall, while dollar prices would increase by 15%

In contrast, precious metals would "perform poorly" overall this year, with lower revenue from diamond sales expected as well.

The bureau included figures for the first time on the size and value of platinum production and sales, for Bophuthatswana as well

Production of platinum group metals (PGMs) — platinum, palladium and rhodium — rose from 4,6-million ounces in 1989 to 4,9-million ounces in 1990. The value of sales rose from R4,6bn to R5,1bn, due mainly to substantially higher rhodium prices, which offset lower platinum prices.

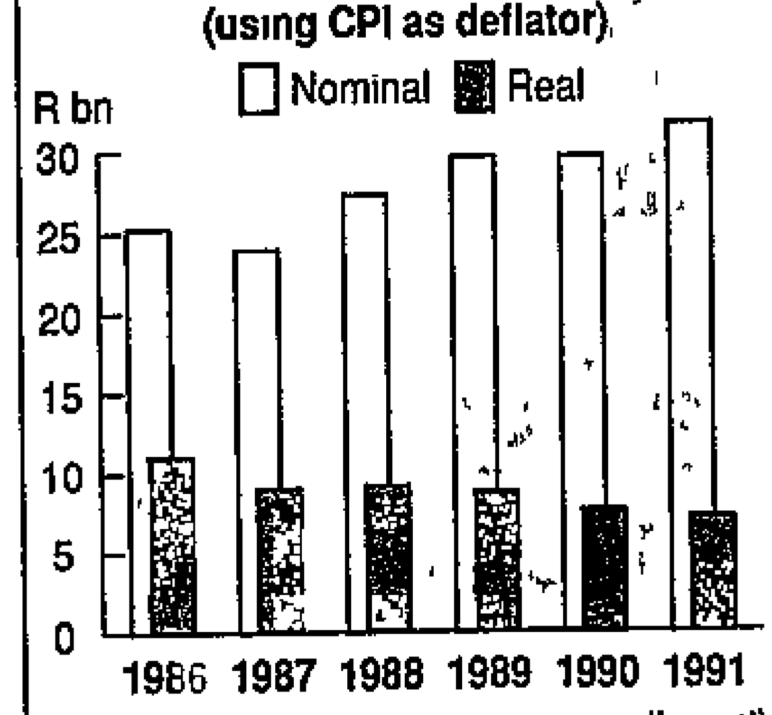
Of SA's mineral production, only that of coal, PGMs and iron ore increased in 1990 alongside an overall rise in prices for the commodities. Iron ore exports rose 17% in tonnage and by 41% in value to R780m.

The bureau said 1990 was one of the most critical that SA's mineral industry had experienced in its 100-year history World demand for most of SA's minerals fell during the year, although domestic sales improved. The total value of mineral sales amounted to R38m, of which exports contributed 78% or R30m.

Notwithstanding the effect of lower dollar prices, a stable rand, and adverse economic conditions at home and abroad, the mineral industry contributed nearly 11% of GDP in 1990 and half of the value of total exports. The industry employed 697 000 workers in 1990, with earnings of R10bn

SA's mineral exports also contributed two-thirds of the country's foreign exchange earnings

SA mineral export sales
Nominal vs real* values
(using CPI as deflator)



Graphic FIONA KRISCH Source MINERALS BUREAU

JSE appoints Andersen as executive president

B|Day 6/11/91.

MERVYN HARRIS

THE JSE has confirmed the appointment of Ernst & Young executive chairman Roy Andersen to succeed Tony Norton as executive president

Speaking to Business Day from Hong Kong last night, Andersen said "I am excited about taking up the position as I believe the JSE has an important role to play as we move into the new SA

"There are tremendous challenges ahead but I thrive on challenges and there will be opportunities to make the stock exchange relevant to all sectors of the population

"I have some ideas of what I would like to do and have done a fair amount of background work But I have a lot to learn and it would be presumptuous of me to say much more at this stage

"I only start work in March and I am looking forward to working with Tony Norton before his departure I would like to see an open relationship with the Press but I first need to understand the issues which will confront me," he added

Andersen is to take up the position at the beginning of March 1992 so there will be a two-month overlap with Norton who leaves at the end of April, the JSE and Ernst & Young said in a joint statement yesterday

JSE chairman Humphrey Borkum said Andersen's strength in strategic management made him well qualified for the position "We are delighted to have attracted a candidate of Roy Andersen's calibre"

Borkum added "In making this appointment, the JSE would like to stress that it believes the decision taken seven years ago to appoint an executive president was the correct one

"Thanks to the able leadership of Tony Norton, the position has been successfully established Andersen's proven leadership capabilities equip him well for the task ahead"

Another JSE member, who did not wish to be named, expressed dismay that details of the appointment had been leaked to the media before members were informed

Market talk yesterday was that Andersen's package would be in the region of R600 000 a year

Andersen, 43, who qualified as a CA in 1972, has been with the firm for 25 years in SA and the US, and was chairman and CE of Ernst & Whinney in SA at the time of the merger

Ernst & Young deputy chairman Tom Wixley said "We knew when we appointed an executive chairman of such a young age that the appeal of challenges beyond the firm was inevitable Therefore our emphasis has been on building a strong team to support Roy Andersen"

He said that under Andersen's leadership, the firm had experienced significant growth and Ernst & Young had emerged from the merger as one of Southern Africa's largest accounting firms, with 186 partners and over 1 800 staff

Andersen's successor at Ernst & Young will be voted by the partnership An announcement will be made shortly

Born in May 1948, Andersen attended Wits University and was awarded prizes as the top student in two of five academic years. After completing articles with Ernst & Whinney in Johannesburg, he was transferred to the firm's Dallas office until 1975

His promotion in the firm was rapid on his return to SA and in 1988 he was elected senior partner and CE of Ernst & Whinney at the age of 39, and later executive chairman of the merged group

Andersen is married with three children

Bomb blast damages dam

JONATHON REES

A BOMB blast which damaged a dam wall near Schweizer-Reneke on Monday could be linked to the recent suspension of water supplies to nearby Ipalageng township for non-payment of bills, western Transvaal police said yesterday B|Day 6/11/91

An arson docket has been opened following the pre-dawn explosion which blew an 18cm by 10cm hole in the dam wall, but did not penetrate the concrete

It has not yet been established what kind of explosive device was used in attempts to destroy the 10-million-litre dam There have been no arrests

Maggie Mines goes under with debts of nearly R12m

SUSAN RUSSELL

A COAL mining company which owes its creditors almost R12m was placed under final liquidation in the Rand Supreme Court yesterday B|Day 6/11/91

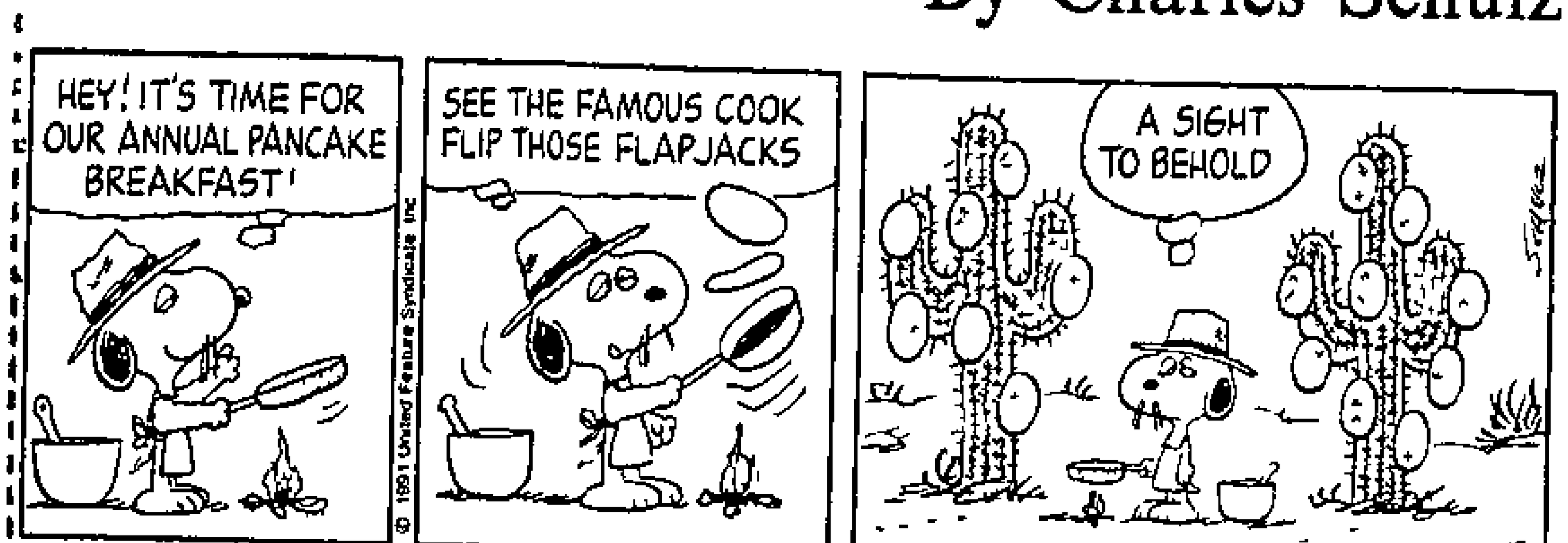
The order winding up Maggie Mines Pty Ltd was granted by Mr Justice D van Zyl following an application by Pied Piper Investments Pty Ltd, a shareholder in the mining company 215

Pied Piper's sole director David Wassung, who is also a director of Basil Read Civil Engineering Pty Ltd, said Maggie Mines owed R2,6m to Basil Read

He said the mine's accountant had informed him in June that the company had financial and cash flow difficulties because sales of its processed coal had not materialised

The company's books and financial statements as at May 31 showed Maggie Mines had liabilities of R11,9m and assets of about R3,9m.

PEANUTS By Charles Schulz



Star 7/11/91

Export boost for Amcoal

By Sven Lünsche (215)

Improved coal export sales boosted Anglo American Coal's (Amcoal) attributable earnings 15,4 percent to R137,8 million (R159 million) in the six months to September.

This translated into a rise in earnings per share from 549,1c to 632,4c, from which an interim dividend of 150c is being paid and which is 8,7 percent up on last year's 138c

The interim report shows sales of coke and coal fell in volume terms from 21,718 million tons to 21,195 million tons, mainly because of lower sales in the domestic market and to Eskom, in particular

However, the directors say the new collieries supplying Eskom are beginning to show improved results, while the group as a whole managed to contain the rate of increase in unit costs

Export sales rose to 4,742 million tons, from 4,508 million last year Coupled with a weaker rand, this lifted turnover to R949 million (R894 million)

Ongoing capital expenditure on the Landau replacement project reduced investment income by 36,1 percent to R45 million, but a tax credit of R25,8 million allowed taxed profits to improve to R133,3 million (R128,6 million).

The directors expect Amcoal to maintain earnings growth for the full financial year, with sales forecast to maintain the level of the first six months.

Star 7/11/91

RAND MINES

FM 8/11/91 (215)

The cost of clearing the decks

It's not often that extraordinary charges are three times a company's disclosed net profit, but R735m is the net cost of writing off Rand Mines' disastrous investments in Barplats and Barbrook The result is that a 7% increase in "normal" EPS is not enough to prevent dividends from being slashed by almost half

Incidentally, chairman Dammy Watt is being ingenuous when he says this distribution is "marginally higher" than he forecast at half-time. what he actually said then was that "total dividends *could be cut by as much as* 50% "

The company no longer discloses the source of earnings, but, given the current structure, it can be assumed that virtually all

PAYMENT CRUNCH

Year to September 30	1990	1991
Turnover (Rbn)	1,7	1,8
Operating profit (Rm)	410	410
Investment income (Rm)	89	99
Net profit (Rm)	223	250
EPS (c)	1 569	1 679
Dividend (c)	560	300

the operating profit is derived from coal and the investment income from gold mines

Vansa, which has now disposed of both its vanadium and chrome interests, has become relatively insignificant, though the R50m it will receive for the sale of its chrome interests will be a useful contribution towards running down Rand Mines' debt

Rand Mines expects to eliminate its R87m debt early in the new financial year — though this presumably does not include borrowings in the now 70%-owned Witbank Colliery (whose own preliminary report a fortnight ago did not give any balance sheet details), Barplats and elsewhere

Long-term borrowings in the preliminary group balance sheet are R832m

Rand Mines is now largely an intermediary between Witbank Colliery and Barlow Rand It holds about 4,85 Witbank shares for each of its own, and this investment alone is worth R63 per Rand Mines at Witbank's current R13. Income from other investments in the year just ended was worth just under R6 a share, but this will have been reduced by disposals, and only when the annual report is published will it be possible to evaluate what is left

Even so, Rand Mines' own current distribution is virtually covered by its dividends from Witbank Watt says the group can now embark upon a period of consolidation leading to sound profits in the years ahead If there are no further nasty shocks in store — and it's difficult to see where any could come from — the share could offer medium-term recovery potential *Michael Coulson*

Star 11/11/91

Witbank Colliery to change name

Shareholders will be asked to approve the change of Witbank Colliery's name to Randcoal

Chairman Allen Sealey says shareholders will be asked at the AGM in January to approve the name change.

215

"The name Randcoal more closely describes the business of the group and is readily recognisable on the local and international coal markets" — Sapa

SA coal regains German client

WILLIAM GILFILLAN

STADTWERKE Bremen — a German electrical utility that stopped importing from SA under political pressure in the 1980s — is to end its boycott of SA coal.

The journal Coal Week International said representatives from Stadtwerke Bremen would visit SA this month. Stadtwerke's chief buyer Bernd Gabriel told the journal that price and other terms would be discussed for 1992 coal contracts.

The utility's imports from SA could total 400 000 to 500 000 tons a year. Stadtwerke was a major importer from SA up to 1986.

"Now that international sanctions are rolling back, the utility wants to exploit favourable quality, price and logistical factors to take 40% of its total annual coal imports of 1-million megatons from SA, subject to terms offered," the journal said.

Presently the utility imports 460 000 tons from the US along with 250 000 tons of Polish coal and 200 000 tons from British Coal.

(215)

"Switching to SA as its biggest single supplier would help Bremen outflank the Poles who seek to focus their German tonnages on the East German market," the journal added.

The October issue of Mining Magazine showed that SA, with total coal production of 206-million tons in 1990, was the world's eighth biggest producer. China ranked first with 1,05-billion, the US second with 927-million tons, and the Soviet Union third with 703-million tons.

Prospects for coal demand look bullish as the world's coal-fired electricity generating capacity is expected to rise by over 65% by the year 2020, compared with installed capacity of 1 040 Gw in 1990.

About 47% of coal output is used in electricity generation.

Witbank Colliery plans big changes

BRENT VON MELVILLE 215

WITBANK Colliery — the coal arm of Rand Mines — is to totally reassess its coal reserves, and change its name in an attempt to create a more efficient and cost-effective mining plan.

"By ignoring historical mine geographical boundaries and examining the optimal exploitation of total reserves, we believe that a more optimal and cost-effective mine plan can be evolved," chairman Allen Sealey said in his annual review.

Sealey said a project team would examine various alternatives and, assuming the investigation confirmed expectations, a final proposal would be discussed with partners Johannesburg Consolidated Investments and Eskom. B Day

Further rationalisation of the southern reserves at Khutala and adjacent blocks would also be examined. 11/11/91

During the year the group concluded an agreement with Rand Mines to acquire the Khutala and Majuba Eskom-tied collieries, and the coal rights being exploited by them, and a 50% interest in the Rietspruit Colliery, a joint venture with Shell SA.

Sealey said the acquisition had resulted in Witbank Colliery holding all the operating coal interests in the Rand Mines group, and would facilitate rationalisation of these interests. In line with the recent restructuring of the Rand Mines group, with the coal interest consolidated within Witbank, the name of the company would be changed to Randcoal.

Waste coal process makes millions of tons saleable

215

B/Day 14/11/91

MATTHEW CURTIN

A BREAKTHROUGH in the treatment of waste coal material looks set to improve the efficiency of SA's coal industry and give it access to millions of tons of low-quality reserves in coal dumps and slurry dams

Industrial Machine Systems (IMS) Process Plant, which has dubbed the process "fine coal processing by oil beneficiation", has developed the recovery techique with SA coal companies, including Rand Mines' Witbank Colliery

IMS process division manager James Whitehouse said yesterday the process had been presented to mining houses three weeks ago and two pilot plants were in operation.

He said "There are millions of tons of coal fines already in slurry ponds and an estimated further 4-million tons are produced each year by the mines"

Earlier attempts to exploit the coal fines — ultrafine particles of less than 100 microns — had floundered because they were not commercially viable, and in many cases technically unsound. IMS had invested millions of rand in developing the process "to the point of commercialisation"

Rand Mines technical spokesman Peter Hand said yesterday that although it was still early days in the application of the coal-oil flotation process, it had proved viable, boosting recovery yields by 1% to 2% and making the treatment of waste material economic

The key to processing coal particles is to ensure they are as dry as possible. If there is a large degree of moisture in a consignment of coal, energy produced from burning the coal is wasted in heating the water content of the fuel

Trans-Natal coal processing group manager Adrian van den Berg said if coal fines were exported without being adequately dried, exporters would incur penalties for selling coal of a lower-heat value The new process, in tandem with thermal drying, had good potential, but Trans-Natal was still investigating the viability of the system The cost of erecting new plant and operating costs were crucial considerations.

Hand said the advantage of the coal-oil flotation process was that coal particles stuck to oil in the coal washing process, making them inherently water resistant (Coal particles are put through a flotation process to separate the coal from the worthless ash)

He said the resultant coal slurry was less moist and, in theory, easier to dry The final success of the process would depend on operating a pilot plant continuously and monitoring the success of the "dewatering".

In the past, coal fines have been pumped underground or into slurry dams which have blotted the landscape around Witbank, SA's prime coal producing region.

UK miners seek ban on SA coal

STAR 27/11/91

LONDON — A public inquiry is to be held following a campaign by Britain's National Union of Mineworkers (NUM) to block the import of South African coal through Bristol's port.

The NUM says a deal between First Corporate Shipping — the port's new controllers — and National Power to import 5 million tons of coal a year from 1993 would cost the jobs of 10 000 miners

It believes the huge imports planned would force closure of all pits in south Wales, Derbyshire and the Midlands. — Star Bureau.

WITBANK COLLIERY

Ringing the changes

FM 29/11/91

(215)

Activities: *Mines and markets coal for Eskom and the export and domestic markets*
Control: *Rand Mines 70%*
Chairman: *A A Sealey, MD N Zolezzi*
Capital structure: *102,4m ords Market capitalisation R1,3bn*
Share market: *Price 1 300c Yields 4,6% on dividend, 14,2% on earnings, p e ratio, 7,0, cover, 3,1 12-month high, 1 575c, low, 910c Trading volume last quarter, 129 000 shares*

Year to Sept 30	'88	'89	'90*	'91
Coal Sales (Mt)	19,0	19,9	22,2	23,9
Turnover (Rm)	543	796	1 087	1 244
Working profit (Rm)	74	174	240	252
Earnings (c)	823	2 089	184	185
Dividends (c)	380	550	60	60c

* Figures restarted to reflect change in accounting and 10-for-1 share split in September 1991

The Wit Colls report at last provides some details of the plans that management has been working on for the past year concerning a major rationalisation of the group's various operating collieries It is proposed to combine the operations of Middelburg and Duvha collieries, which work the same block of coal reserves in the centre of the Witbank coalfield

The aims are to contain the rate of increase of working costs and to limit future capital expenditures by getting greater production volumes from the existing coal mine infrastructures Wit Colls' management believes it can achieve this by mining the area as one operation

There are a number of obstacles to be overcome. Not the least of these are the contractual aspects, with Duvha being a tied-supplier to Eskom's Duvha power station while Middelburg is a joint venture between Wit Colls and JCI's Tavistock Colliery But these are not insurmountable It's clear that Wit Colls' management intends making the scheme work and it appears that JCI is going along with the plans

Earlier this year, Middelburg Colliery cancelled a dragline order and then had to pay R15m in penalties to supplier Bucyrus-Erie. The company paid R9m of this and JCI picked up R6m The dragline was to have been the third operated by Middelburg It was originally needed to bring the mine's production up to its planned maximum rate

However, CE Allen Cook says the initial findings of the rationalisation study showed that, by combining Duvha and Middelburg, the existing mining capacity could meet all customer demands on the two mines, with extra tonnages coming from Douglas, if required Eliminating the extra dragline means capital savings of R100m

Cook says details of the scheme are still being finalised and then negotiations with Eskom and JCI will follow He hopes to have

Witbank Colliery's Sealey
aiming for real earnings growth

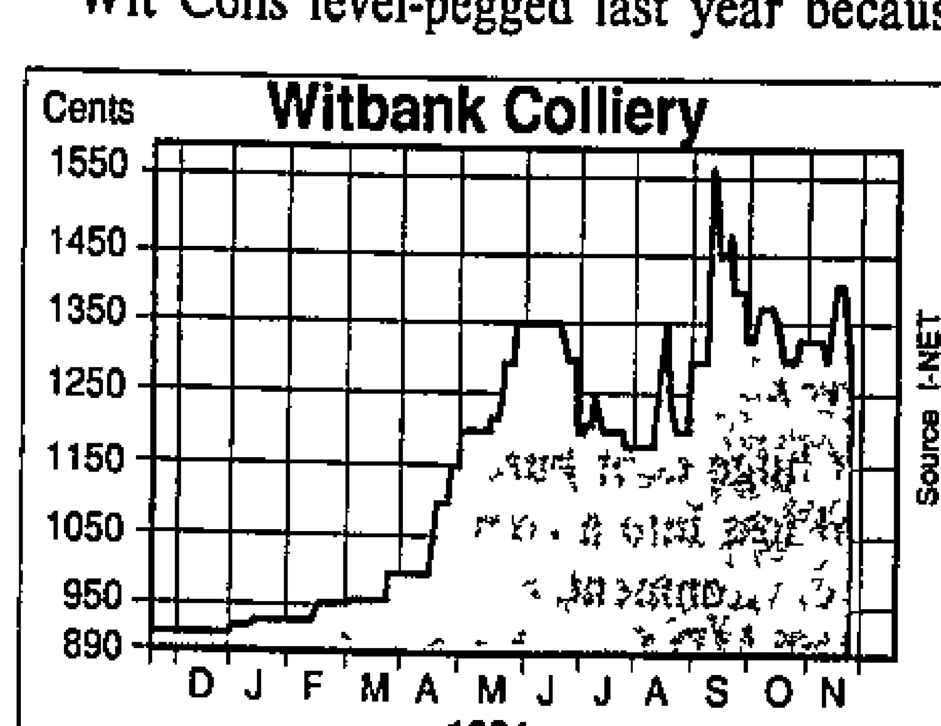
the rationalisation scheme implemented by October 1993

Part of the corporate structure for this scheme was put in place earlier this year, through the deal in which Wit Colls acquired the stakes in its various operations held directly by parent Rand Mines, in return for an issue of 24,2m shares That gave Wit Colls full ownership of the Khutala and Majuba collieries, which are tied to Eskom, as well as a 50% stake in the Rietspruit export colliery

This move gets Rand Mines out of the picture meaning that the interests of only one set of minority shareholders in the group — those of Wit Colls — need to be taken into consideration during rationalisation

Other significant developments over the past year include a 10-for-1 share split and a shift to a more conservative accounting system Effect of the change in accounting can be seen in the restated figures for 1990, with taxed profit revised from R193,2m to R144m A change of name will also be proposed at the annual meeting on January 8 from Witbank Colliery to Randcoal Ltd

Wit Colls level-pegged last year because



of lacklustre conditions on both the export and domestic coal markets Chairman Allen Sealey remains hopeful that real earnings growth can be achieved this year, along with an increase in dividend

He is basing this on expected limited growth in export tonnages, in addition to the volumes the group will be marketing from its 50% stake in Rietspruit Before October, this production was sold by Wit Colls to the other partner in Rietspruit, Shell, which was responsible for marketing it

With plenty of coal available on world export markets, the outlook for achieving dollar price increases for 1992 delivery is not exciting, so a key factor in Wit Colls forecast is the value of the rand Cook says he is looking for an average rate of US$1/R2,90 for the year to September 1992 So far the rand is holding up better than expected At R13, the share offers a historical dividend yield of 4,6%, about in line with the sector average It looks fully priced *Brendan Ryan*

KANHYM FM 29/11/91

Merger talk

Kanhym's share price was a pedestrian performer until Malbak's acquisition of Fedfood was announced It was soon apparent that Kanhym executive chairman Dirk Jacobs would preside over a merger between Kanhym and Fedfood

In effect, though Fedfood was the larger and more diversified company, Kanhym management has taken it over Jacobs is CE of both groups and Neels Kilian has combined responsibility as financial director

Until recently, Fedfood's p e was higher than Kanhym's, though they are now similar, at 8,3 Both groups are exposed to cyclical areas of the food business Fedfood to fishing and frozen foods, Kanhym to the meat price As a combined group, they should be less exposed to risk, unless the meat price, fishing catches and the vegetable crop all slump together

Jacobs has managed to reduce Kanhym's exposure to the meat price considerably, by increasing the contribution of added-value products to operating income from 7% to 61% Prices of these products — which are sold under the Enterprise, Bokkie and Herti labels — are more easily controlled by the manufacturers

Chicken producer Mielie-Kip does not compete with Rainbow in the volume market but concentrates on chicken portions and prepared products such as the Like-It-Lean range endorsed by Weighless slimming clubs

Cont →

Tax changes help Anglo American

(215)

S Times (BUSS) 1/12/91

By CIARAN RYAN

ANGLO American can thank amendments to the Income Tax Act for its 21% increase in attributable earnings in the six months to September

The changes made it possible to sell assets, resulting in an investment surplus of R120-million.

But Anglo's receipts from the sale of about R700-million in Gencor and FNB shares will be brought to account only when the year's results are published in March.

Anglo has raised R1-billion partly to pay for its share of Middelburg Steel & Alloys (MSA), which is to form part of the Columbus stainless-steel venture

Coal

Tax was R19-million lower in spite of the increase in pre-tax income to R995-million The changes in the Income Tax Act make it possible to sell investments after 10 years without the danger of tax on supluses

No further taxes are due on its dividend income, these having been settled by subsidiary and associate companies. The effective tax rate was 14% (19%)

Attributable earnings were R655-million (R540-million), while trading income improved by 10,6% to R250-million, the result of a strong performance by Amcoal, which benefited from good export sales and a healthy domestic offtake, primarily by Eskom.

Dividends from Rustenburg Platinum and the financial services investments were higher But lower dividends were received from some of the industrial interests, particularly Samancor

Investment income of R630-million was 6% higher than in the comparable period last year

Amgold's earnings were fully consolidated — previously they were equity accounted The consolidation of earnings was offset by an increase in outside shareholders' share of investment income

Rupert Pardoe, a divisional manager with the chairman's office, says net income showed a steady improvement as a result of the group's healthy diversification

"The trading side benefited particularly from coal and Amcoal is having a reasonable year Our diversified portfolio protects us against severe downturns"

Chairman Julian Ogilvie Thompson says in the chairman's review that the economy is poised for recovery in 1992, but will be affected by the international picture

"Prospects for growth in the international economy look weaker than they did earlier this year which is bound to have an impact on the South African upturn

"Most encouraging though is the high level of export growth in manufactured goods, a process likely to be boosted in 1992 by the ending of remaining economic sanctions"

Australian tax cut may dull coal markets

MATTHEW CURTIN

THE Australian government's decision to scrap its tax on coal exports would dull already depressed export coal markets, local industry sources said yesterday. (215)

AP-DJ reported yesterday that Australia said it would abolish a coal export duty from July 1 next year The tax was levied — at A$3,50 a ton — only on coal exported from the country's key producing area in Queensland run by Broken Hill Proprietary (BHP) B|Day 3|12|91

Witbank Colliery (Witcol) deputy chairman Allen Cook said BHP was "likely to pocket the change and try to increase its market share by cutting prices".

He said Witcol would not cut prices as export margins were tight.

Cook said the coal export market was delicately balanced and if BHP cut prices, it risked losing improved margins brought on by the abolition of the tax

The bulk of Australian exports was consumed by Pacific Rim countries for which

☐ To Page 2

Coal tax B|Day 3|12|91 (215)

☐ From Page 1

SA was a minor supplier

Kangra Coal director Clive Beck said cheaper Australian exports of steam coal might depress free market spot prices which were already running at a large discount to contract prices

However, he noted the already higher freight costs of Australian exports to Europe — which is a main market for SA steam coal — meant SA exporters were unlikely to be affected The major effect would be on market sentiment

He added BHP mainly exported coking coal, which SA did not export.

SA producers export steam coal at a full-on-board cost of about $22,50 a ton, against BHP costs of $22,00 a ton Contract prices are about $33 a ton, with Australian exports cheaper than SA's to the Far East, but more expensive to Europe.

Australia is the biggest exporter of coal worldwide, supplying 106-million tons in 1990, against 96-million tons from the US and nearly 50-million tons from SA.

Portnet plans coal terminal

(215)

MATTHEW CURTIN

PORTNET is committed to building a new coal export terminal at Richards Bay at a cost of hundreds of millions of rands if negotiations with SA's smaller coal exporters are successful.

Last week the R316m expansion programme at the existing coal terminal was completed But there is growing concern among SA's big coal exporters about the viability of the project.

A Portnet spokesman said yesterday negotiations between the group and SA's minor coal exporters — understood to include Gold Fields Coal, Kangra, Messina Investments and Sasol — would be completed by March, and would determine whether the terminal would be built

Portnet has said the key to giving the green light to the project is a commitment from coal producers to supply a minimum of 10-million tons of coal a year.

Work on upgrading the Richards Bay Coal Terminal from 44- to 53-million tons ended on November 30, an official at Engineering Management Services (EMS) said yesterday. EMS's subsidiary Semtec oversaw the project.

Witbank Colliery (Witcol) chairman Allen Sealey said a pre-condition for the new coal terminal "should be that it is economically viable without hidden subsidies". Witcol, Anglo American Coal Corporation (Amcoal) and Trans-Natal are

☐ To Page 2

Portnet

BDay 5/12/91

(215)

☐ From Page 1

SA's largest coal exporters and have a lion's share of the existing terminal

Sealey said "All those involved in the 'red terminal' feasibility study should not lose sight of the fact that port capacity must be matched with rail capacity

"What effect a quantum leap in exports of 5-million tons per annum, let alone the 10-million tons being proposed, will have on the world sea-borne steam coal market, remains to be seen"

SA is the third largest exporter of coal worldwide, behind Australia and the US, and Witcol, Amcoal and Trans-Natal have warned of the dangers of pushing export volumes in the depressed economic climate They fear any attempt by SA to grab more market share will lead to a price war, slashing already thin margins

Sealey said SA exports in 1991 would fall marginally from the 1990 level of 48,9-million tons, "highlighting the fallacy propagated by some comentators, that the port capacity at Richards Bay is restricting exports"

Iscor sacks 3 300 striking coal miners

(215)

VERA VON LIERES

MORE than 3 300 striking miners at Iscor's Durban Navigation Colliery (Durnacol) were dismissed yesterday after they failed to heed an ultimatum to return to work, Iscor said Only about 150 workers had reported for work

NUM official Kgalema Motlanthe said almost the entire 3 500-strong workforce had been dismissed after embarking on a legal wage strike on November 4

He said union officials and management met on Tuesday to try to reach settlement A union proposal for mediation — the second since talks deadlocked — and an undertaking to persuade workers to return to work by Monday was turned down

The Iscor spokesman said the strike started after workers refused a wage increase offer of between 10% and 14%, implemented at the beginning of July Durnacol was a marginal mine and losses sustained due to strike action had become untenable, he said

B/Day 5/12/91

Management's position throughout had been to preserve jobs, rather than "accede to unrealistic wage demands All other Iscor workers, unionised or not, accepted the increases which are considered a fair median in the mining industry"

Iscor said the mine would employ new workers "as soon as possible"

Leaner Rand Mines fold a 'positive development'

(215)

B/Day 6/12/91.

MATTHEW CURTIN

THE FALL of the house of Rand Mines to the status of a coal-mining house bodes well for the group's future, despite being shorn of its platinum, vanadium, chrome and forestry interests, says chairman Dammy Watt.

Watt said in his annual review that the group's reorganisation was "a positive development".

"In the process of change the company has shed many problematic operations to concentrate on its significant investment in one of the premier coal mining companies in SA," he said

Coal mining arm Witcol contributed 89% of attributable earnings in 1991 from Rand Mines' six operating divisions.

In 1990 Witcol contributed 81% of those earnings, against only 50% of the group's total attributable income in 1986

Watt said Rand Mines had peripheral but important interests in gold mining, property and management surfaces plus a significant reservoir of skills in deep-level mining

"Adjusting to the change in structure will not be without problems for many of our employees but the rewards to be earned in the long-run will be worthwhile and of benefit to all stakeholders," Watt said

He said the complexity and magnitude of the problems Rand Mines faced in the past year were such that the remedial measure taken "cut deeply and traumatically into the very fabric of the group"

Write-offs related to the sale of the now-mothballed Barplats Mining (Barmine) platinum operation and the mothballing of the developing Barbrook gold mine slashed Rand Mines' net asset value from R101,64 a share in 1990 to R55,26 a share in 1991

Strength

In taking on R207m in debts from Barplats Investments (Barplats), the group's debt to equity ratio climbed from 53% to 86%

In the same time, retrenchments in the group, from its head office at the Corner House in Johannesburg to its gold mines, saw the strength of its workforce drop 26% in the year from 70 386 to 52 212 employees.

Five years ago Rand Mines employed nearly 100 000 staff

Watt said a feature of 1991 was the "remarkable change witnessed in industrial relations, not only for the mining industry but for other sectors of the economy"

Trade union leaders and most workers had a greater awareness of the problems facing industry

The productivity schemes put in place on the gold mines after union and association negotiations were "a historical breakthrough" as the union movement had consistently rejected the idea of performance related pay increases in the past

However, he said 1992 would be a difficult year for the gold mines. Gold prices were unlikely to overtake this year's levels in rand terms

Rand Mines four gold mines had pulled themselves round in the second half of the year to offset first half, after-tax losses of R42m

Watt said the debt-laden ERPM had realised working profits for two quarters running despite being one of SA's highest cost producers

The challenge facing the mine now was to cover its deferred interest charges

3 000 dismissed miners leave Durnacol colliery

6/12/91 (215)

VERA VON LIERES

ABOUT 3 000 NUM members left Iscor's Durban Navigation Colliery (Durnacol) in northern Natal yesterday after they were dismissed by management for rejecting an ultimatum to return to work, an Iscor spokesman said.

At least 500 miners remained on the mine premises and production at the mine continued

The Iscor spokesman said employing a new workforce would start only next week. He said not all miners had been informed of the dismissals and management was still communicating with workers.

NUM official Kgalema Motlanthe said yesterday at least 1 500 miners were paid off and bused out of the mine The union's lawyers would approach the company asking it to give preference to dismissed workers when they started employing a new workforce, Motlanthe added.

The workers were dismissed after they failed to heed an ultimatum to return to work earlier this week. More than 3 000 coalminers embarked on a legal strike on November 4, demanding above-inflation rate increases

The company offered wage increases of between 10% and 14%, implemented at the beginning of July.

Meanwhile, Doornfontein gold mine management and NUM representatives held talks yesterday believed to centre on the reinstatement of 5 800 workers dismissed from the mine on Wednesday.

Motlanthe said management was last night awaiting a written "proposal" from the union guaranteeing steps would be taken to avoid a repeat of illegal strikes Talks were expected to continue last night

Doornfontein owners Gold Fields of SA said earlier this week workers were fired after they embarked on illegal strike action starting with the night shift on Monday and rejected an ultimatum to return by Wednesday morning

The NUM said workers were protesting against the dismissal of at least 50 miners after last month's anti-VAT stayaway

Iscor to employ 3 000 after dismissals

VERA VON LIERES

ISCOR will start employing a new workforce at its Durnacol mine in northern Natal this week after the dismissal of about 3 000 miners who refused to comply with an ultimatum to return to work, a company spokesman said on Friday.

The spokesman said about 500 miners, who responded to the ultimatum last week, were keeping the mine running. The mine was also relying strongly on its white workforce.

Only limited production was going on at the mine, although it was too early to determine losses caused by the four-week strike by more than 3 000 NUM members.

The miners embarked on a legal wage strike on November 4, demanding above-inflation increases against the company offer of increases ranging between 10% and 14%.

NUM acting general secretary Marcel Golding said yesterday the union would meet management today to negotiate a settlement for the dismissed workers.

Smaldel gears up for listing despite gloomy coal forecasts

BIDay 11/12/91. (215)

MATTHEW CURTIN

NEW coal mining company Smaldeel Coal (Smaldel) is gearing up for its listing on the JSE on December 19 despite gloomy short-term prospects facing the domestic and export coal markets

Smaldel plans to raise R8m from the issue of 10-million ordinary shares at 80c each in order to finance the construction of a coal screening and washing plant at the Smaldeel colliery in the eastern Transvaal. Since the publication of the listing prospectus, the company has acquired a second colliery, the Black Stream mine.

Executive chairman Ed Young said yesterday that Smaldel had 40-million tons of coal reserves and would produce 130 000 tons of A and B grade steam coal a month at full production

He said the total capital cost of putting the mining group together would be about R24m, and Smaldel expected pre-tax profits of about R13m in its first year Smaldel planned to pay a maiden dividend in the 1993 financial year.

Young said he was bullish about the outlook for coal Export markets were stable and the progress made towards establishing a second export coal terminal at Richards Bay, with a capacity of 10-million tons a year, showed the confidence smaller coal producers had in exports.

He said there was good domestic demand and Smaldel's operations, which would have their own rail links, were well placed with access to the main Witbank railway line and markets in the PWV area

He said setting up markets for the company's output had been a priority before going ahead with the listing

However, SA's major coal producers have for much of 1991 warned of the tough trading conditions overseas which could be exacerbated by an aggressive export drive from SA Domestic demand for coal for Eskom's power stations has grown more slowly than expected

Irish Menell & Rosenberg analyst David Russell said in a recent report that domestic steam coal prices had risen by an average of 15% a year since 1984.

"In other words the average increases in price are merely keeping pace with the average production costs Hardly reassuring for a capital intensive industry"

Russell said the fate which befell Frigate Mining showed the difficulties small coal mining operations faced

Earlier this year, Frigate — which had grown successfully from a plant hire operation to a contract mining group before trying its hand at mining itself — sold its contracting and plant hire operations to rival Scharrighuisen Holdings. Mounting debts — which hit R64m at year-end December 1990 — prompted a restructuring of the group and its rescue by Finansbank.

Sigma colliery wins top safety award

STAR 11/12/91

215

By Melody McDougall
Vereeniging Bureau

The Sigma colliery in Sasolburg yesterday became the first colliery to receive a Noscar award under the National Occupational Safety Association (Nosa) safety and loss control system.

A company must obtain at least 95 percent in a Nosa grading to qualify for a Noscar — the highest award made by Nosa.

Since Sigma started with the Nosa safety and loss control system in 1981, the mine, the only coal supplier to Sasol 1, has built up a fine safety record. In 1987, the colliery received a five-star grading and ended second in Nosa's national mining competition.

Two years later, Sigma became the first underground colliery to win this competition, and also won Nosa's Safety, Effort and Experience competition last year.

● Sigma is the third company in the Sasol group to win a Noscar. The other two companies are Sasol 1 and Sasol 3.

ARG 12/12/91

215

9 000 gold and coal miners axed

The Argus Correspondent

JOHANNESBURG — Nearly 9 000 workers from Durnacol Coal Mine in Newcastle and Doornfontein Gold Mine (Goldfields) in Carletonville have been dismissed, said general secretary of the National Union of Mineworkers, Mr Marcel Golding.

At a Press briefing in Johannesburg Mr Golding said 3 034 workers had been dismissed by Iscor-owned Durnacol and 5 800 by Goldfields

He said the companies had rejected "every single proposal" the NUM had made and instead had threatened to evict the workers from the hostels through a court interdict which he said the union would contest tomorrow

"The companies' intention is to dimsiss the entire workforce and re-employ about 2 000. We have called for the reinstatement of the entire workforce and we will contest the validity of each and every dismissal in the industrial court and have made the companies aware of our intentions," Mr Golding said

Durnacol agrees to re-employ workers

VERA VON LIERES (215)

AFTER protracted mediation, management at Iscor's Durnacol mine in northern Natal and the NUM reached agreement this week on the reinstatement of more than 3 000 workers. B/D ay

NUM acting general-secretary Marcel Golding said yesterday the agreement would mean the reinstatement of all 3 034 workers dismissed at the mine. However, at least 400 of the reinstated workers would be retrenched by next month.

Earlier this week Iscor said it would re-employ about 2 000 workers at the mine.

An Iscor spokesman said the NUM and Durnacol management had asked workers to return to work as soon as possible.

Golding said the union simultaneously negotiated a retrenchment procedure in respect of sections of the mine forced to close because of the four-week strike.

He said 400 of the reinstated workers would be retrenched by January 15 and a further 419 thereafter if the parties failed to find an alternative. 19/12/91.

All the workers would be compensated with a minimum of four weeks' pay, eight shifts' pay for the first year of service, and 16 shifts' pay for the second year of service, Golding said. "In effect, no worker has been dismissed for participating in the legal strike at the mine."

Golding said the parties agreed a code of conduct would be negotiated once workers returned. The company had agreed to restore union recognition at the mine, which was expected to be fully operational by the end of next week.

The workers were dismissed after failing to comply with an ultimatum to return to work after a legal wage strike.

The union demanded wage increases

☐ To Page 2

Durnacol B/D ay 19/12/91

(215) ☐ From Page 1

above the inflation rate while the company offered increases of between 10% and 14% An Iscor spokesman said the wage increase — which was implemented on July 1 — was regarded as a fair median in the mining industry, particularly as Durnacol was a marginal mine, over complement The NUM has accepted the management wage offer

Iscor said at the time management had no option but to dismiss workers who had not returned to work as the losses sustained by Durnacol as a result of the strike had become untenable

Mine management indicated that former employees would be given preference in the selection of a new workforce but they were not prepared to employ more workers than the mine needed to operate efficiently and profitably

RAND MINES (215) FM 20/12/91

Sword of Damocles

Activities: *Mining house with interests in coal, gold, platinum and property*
Control: *Barlow Rand 74,4%*
Chairman: *D T Watt*
Capital structure: *14,9m ords Market capitalisation R1,1bn*
Share market: *Price R74 Yields 4% on dividend, 22,7% on earnings, p e ratio, 4,4; cover, 5,6 12-month high, R80, low, R55. Trading volume last quarter, 66 000 shares*

Year to Sept 30	'88	'89	'90*	'91
Investments				
Book value	371	242	221	196
Market value	611	507	506	302
Turnover (Rm)	957	1368	1694	1776
Attributable profit (Rm)	165	216	223	250
Earnings (c)	1 467	1 929	1 569	1 679
Dividends (c)	450	560	560	300
Net worth (R)	88,1	97,6	101,6	55,3

*Restated

Shareholders and employees — those that escaped retrenchment — will be glad to see the back of 1991, in which the house went through what can only be described as a kind of corporate Armageddon.

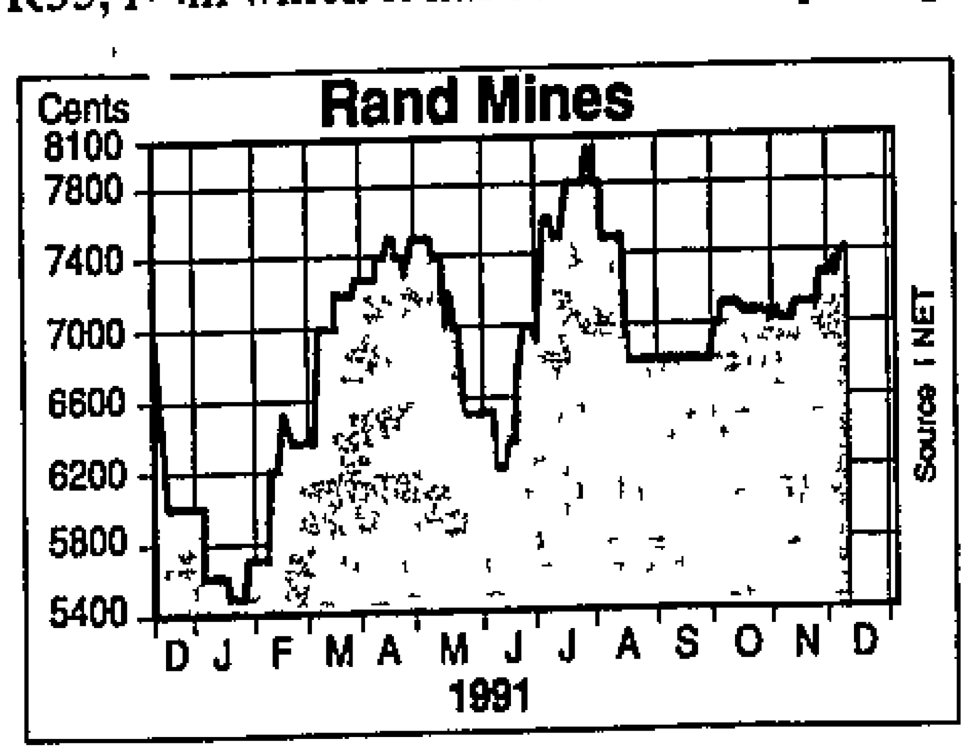
Rand Mines has survived the final battle but at times the blood flowed knee-deep out of Corner House into Fox Street Lay-offs and disposal of operations cut the total work force to 52 000 from 70 000 the previous year Management, administrative and exploration staff were chopped by 25% to 493.

Radical surgery was needed to cope with debt that reached R312m in the wake of the mothballing of Barbrook and the debacle at Barplats Lotzaba Forests was sold for a profit of R39,2m, a further R33,7m attributable profit came from the sale of 7% of the holding in Witbank Colliery

In addition, much of the share investment portfolio has been sold off to realise R73m, giving profits of R29,7m, while Vansa Vanadium's vanadium operation was sold for R17,3m

Chairman Damocles "Dammy" Watt says group debt was down to R87m by September 30 and will be eliminated in the first half of this financial year following the sale of chrome operations for about R100m

Investors shared the pain through a collapse in the share price to a 12-month low of R55, from which it has recovered surprising-



Rand Mines' Watt
debt will be eliminated

ly well, and a 46% slash in the dividend.

The question is, where does the house go from here? Watt answers fairly bluntly, pointing out that Rand Mines is now a coal mining house, that attributable profits for 1992 are expected to drop slightly (despite Witbank Colliery chairman Allen Sealey's expectation of real earnings growth and a higher dividend), and the year will be one of adjusting to the traumatic rationalisation.

That adds up to a mediocre short-term outlook and medium-term prospects fall into the same category The drastic remedial action means the worst is behind Rand Mines and, with debt out of the way, things can only get better. But recovery will be a slow process and Rand Mines' reputation among investors has been severely tarnished by the Barplats failure

Apart from coal, Rand Mines is left with 76% stake of Rand Mines Properties (RMP), minority interests in its four operating marginal gold mines, 45% of Barplats and exploration projects

Barplats is mothballed, RMP expects lower earnings this year and, while the gold mines are at least holding their own, at current gold prices they contribute far more in management fees than the paltry R2,7m in profits kicked in last year

Mining houses prefer to grow through developing grass-roots projects and, failing that, through acquisition. On either score it is difficult to see where Rand Mines' future growth will come from, apart from the expected slow and steady increase from Witbank Colliery Gold exploration projects are marginal in the extreme compared with those held by other houses while Rand Mines does not have the financial resources for meaningful acquisitions

Given this situation and the economic climate, it appears building up cash reserves to strengthen the balance sheet will be a priority, so investors cannot expect swift recovery in the dividend Watt says the dividend will be increased this year but not to previous levels, which will be reached only when the house can afford it All in all the share looks fully valued to expensive *Brendan Ryan*

COAL EXPORTS FM 20|12|91

Prices slacken

(215)

Warnings from coal company chairmen that 1992 will be a flat year for the industry have been borne out by initial price settlements on exports to Europe

Major exporters Amcoal, Trans-Natal Coal Corp (TNC) and Witbank Colliery have all settled with Italian government power utility Enel by taking a US$0,35/t cut in price This reduces the average paid by Enel for SA coal to $31,80/t from this year's $32,15/t

The Enel contract is widely seen as a benchmark for Europe because many others follow suit at the same price To rub salt in the wounds, industry sources indicate that Enel has insisted its suppliers agree to grant negative supply options of about 100 000 t each

The utility is overstocked and the options mean Enel can reduce its contracted sales volumes for next year by these amounts at will

Amcoal chairman David Rankin and Witbank Colliery CE Allen Cook confirm their groups have settled with Enel but refuse to disclose prices TNC MD Mike Salamon refuses to comment on the group's sales arrangements because other negotiations are still under way

The Enel settlement reflects both the state of the world steam coal export market, where coal is plentiful, as well as tighter conditions in shipping

Most coal sold into Europe goes fob Richards Bay Freight rates on a Cape-sized vessel from Richards Bay to Rotterdam are now around $9,5/t compared with an average $7,5/t a year ago This is because many dry-bulk carriers are being used to ship grain to what was the Soviet Union

Customers in Europe are using higher freight charges as a reason to hold down coal prices Despite this, some industry sources reckon SA exporters buckled too easily and could have held out for at least roll-over

continued

FOX FM 20|12|91 (215)

prices. Major supplier to Enel is Amcoal and sources claim that once it accepted the price cut the other contractors had little option but to follow

With the European negotiations now in the final stages, the focus of attention swings to the Far East, where prices are set by fiscal year rather than by calendar year A negotiating team from the Transvaal Coal Owners' Association (TCOA) is in Japan for preliminary discussions. Full-scale negotiations on price and volume are not likely to start until about February

The Enel price has little impact on the Far East market where the major determining factors are the volumes of coal available from Australia and, increasingly, from new supplier Indonesia The outlook is again one of plentiful supply, so prospects for the SA exporters to get price increases do not look bright

Australian producers are feeling upbeat after their government agreed to a series of reform measures affecting the industry, including the abolition of a coal export duty of Aus$3,50/t levied on certain Queensland mines As a result, major producer BHP Utah has committed itself to spending Aus$122,5m on expanding capacity at its mines

Other reforms included improved coal industry industrial relations arrangements Australian producers have been plagued for years by strikes which have benefited SA coal exporters

Local exporters are also watching the rand/dollar exchange rate closely because it is holding up better than some had expected It is now around $1/R2,77, while Witbank Colliery's Cook is looking for an average of $1/R2,90 for the year to September If the gold price firms, the rand may firm too.

Brendan Ryan

Picture ROBERT BOTHA

(215)

Cast in train fares talks

BDay 24/12/91

THEO RAWANA

A DELEGATION led by the Civics Association of Southern Transvaal is to meet Transport Minister Piet Welgemoed in Cape Town on Friday to discuss the 15% increase in rail fares

The SA Rail Commuter Corporation announced the 15% increase last month and set January 1 as its implementation date

Cast, together with Cosatu, Azapo, the Soweto Daily Passengers Committee and the Transport and General Workers Union (TGWU) met SARCC officials in Johannesburg last Friday to discuss the fare increases, Cast transport chief Dumisani Daniels said yesterday

The delegation wants the increase to be suspended

Daniels said SARCC GM (Metro Services) J F Meyer informed him yesterday that Welgemoed had invited a delegation to meet him in Cape Town on Friday to discuss the issue

"The restructuring of the transport policy should go along with the overall economic policy — this has not been followed," he said

Coal mines support green efforts

BDay 24/12/91

THEO RAWANA

THE SA coal mining industry has supported efforts to counter the danger of global warming

But it says that concerns about the greenhouse effect are based on incomplete and inconclusive scientific knowledge

A declaration in support of "environmentally beneficial initiatives", published in the latest issue of the Chamber of Mines Newsletter, forms the industry's response to the proposed international implementation of an anti-global warming campaign, known as the Toronto Target

The target calls for a 20% worldwide reduction in carbon dioxide emissions by 2005 (using 1988 levels as a base)

Carbon dioxide is one of a number of "greenhouse" gases, which include CFCs and methane

The chamber said coal mining companies could be affected by universal support for the Toronto Target, as it could prompt major coal consumers, such as thermal generating utilities, to consider other energy sources which create less carbon dioxide

"Although the full impact of the envisaged global emission controls may only take effect in 14 years' time, the industry is already examining what economically sound responses may be possible in the interim to protect the environment while minimising disruption to industry"

The industry considered it necessary to work with government on a framework of incentives and disciplines to encourage initiatives which would be environmentally beneficial and economically justifiable

These would include improved efficiency of energy utilisation and encouraging increased electrification, possibly within the framework of a national energy policy

The newsletter also details an environmental planning and management procedure the chamber has devised to help member mines ensure their activities comply with imminent environmental legislation

The document would guide mines in drawing together and documenting comprehensive information required for the compilation of an environmental management programme report, the newsletter said

Such a report summarises all data relating to a proposed prospecting or mining project, detailing information required to satisfy various authorities that the developer has fulfilled its environmental responsibilities, including those contemplated in the new Minerals Act, which is expected to come into operation early next year

A feature of the new Act is its requirement that all mines and prospecting projects will in future have to submit a formal rehabilitation plan before authorisation to commence mining or prospecting is granted

Previously, this requirement applied only to certain open cast mines

The report not only describes the potentially negative environmental effects that are expected in all phases of the project, but also how these effects may be monitored, managed, controlled or rehabilitated

Stokvels at Bank workshop

WILSON ZWANE

THE SA Reserve Bank will convene a workshop on the regulation of informal savings institutions next month to which all interested parties, including the National Stokvels Association of SA (Nasasa), have been invited

Lukhele said the Reserve Bank indicated last year it was committed "to stabilising and promoting" stokvels

Van Greuning said the informal savings clubs had a large potential to provide effi-

War toys

LOS ANGELES — War t
test selling Christmas ite
this year, despite growing
tests from anti-war gro
campaigners

Cashing in on the Gulf
facturers have been flood

Consumers may benefit from tilt in coal market

BDay 27/12/91 (215)

MATTHEW CURTIN

THE supply-demand balance in the export steam coal market is likely to tip further in favour of consumers in the coming year

Industry sources say it will be a small shift, but more than they forecast earlier this year.

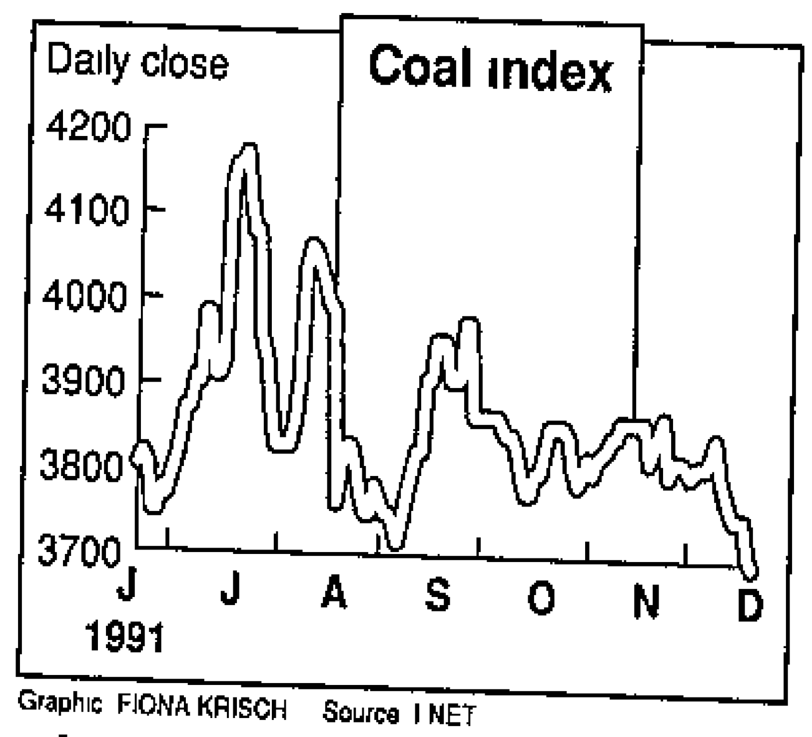
Market conditions are deteriorating while SA coal producers are in the middle of negotiating prices and volumes for coal contracts with foreign customers for 1992

Amcoal chairman David Rankin said this week that coal had not escaped the general malaise in commodity markets, which reflected the disappointing level of growth in world economies.

He said free-market steam coal prices had been static or had fallen in 1991. Amcoal had taken a 1% drop in price on its 1992 1-million-ton contract with Italian state utility Enel — from $32,15 a ton to $31,80 a ton

This, Rankin said, reflected the poorer export market conditions

Reuters reports that Australia's top coal producer, Broken Hill Proprietary, has agreed to lower prices — by between 1% and 2,3% — for



Graphic FIONA KRISCH Source I NET

coking coal shipped to Japanese steel mills for 1992 contracts which start in April Other exporters are likely to follow suit

Reliable industry sources said yesterday there was no truth in reports from the US that Amcoal had in fact more than compensated for the price decline by winning a contract for lower quality coal with Enel

Rankin said the basic conditions affecting the group's coal contracts were unchanged

Witbank Colliery MD Nilo Zolezzi said demand for steam coal in 1992 was set to be less strong than expected, following a likely drop of less than 1-million tons in total SA exports through Richards Bay in 1991 to 44,5-million tons

The enlarged coal terminal had a capacity of 53-million tons

He said there was an oversupply of steam coal worldwide, with mounting exports at competitive prices from Indonesia and Australia, while demand was held back by worldwide economic stagnation and the influence of the environmental lobby.

Zolezzi said Witcol would find it hard to maintain export tonnages to Italy because of concern among Italian environmentalists about pollution from coal-fired power stations

He echoed Rankin's concern over the unfavourable effect the proposed new "red" coal terminal would have on export markets.

If the new 10-million-ton-a-year terminal being considered by Portnet and some coal producers went ahead, "it would do the industry a disservice", Zolezzi said.

Rankin said a jump in SA steam coal exports would affect prices severely

It would be to the advantage only of consumers, who would win lower prices as more SA producers fought for their slice of an unchanged export pie

MINING — COAL

1992

Standby offer to Foston minorities now open

STAR 6/1/92

(215)

A consortium embracing Revere Resources SA acquired on December 19 last year a 70 percent stake in, and 96 percent of the share options of, coal mining and exploration company Foston.

A standby offer to minority shareholders and option holders — 3,5c an ordinary share and 1c an option — opens today and closes on Janurary 25

In today's standby offer announcement, Foston reveals its operating plans for its subsidiaries which own, or have rights to, 60 million tons of coal in the Transvaal and Natal

Coal production at Foston's New Arbor Colliery — currently 25 000 tons a month — will be increased by upgrading the beneficiation plant and installing a heavy media cyclone treatment plant for the production of washed duff.

The new cyclone plant will be operational by mid-1992.

Foston has exercised mineral rights over 16 million tons of anthracite in the Wakkerstroom district, east of Volksrust A mine will be established there this year to produce 30 000 tons a month, mostly for export.

In co-operation with overseas partners, Foston is investigating other coal deposits to develop an export-grade bituminous steam coal mine in 1993.

The board of Foston, which will continue to be listed in the Financial-Exploration sector, has been reconstituted It comprises GJS Laing (chairman), ED Gleason (MD), JA Cramer (Swiss), HJP de Klerk and DS Muller. — Sapa.

Coal mine developing

B/Day 1/1/92

JABULANI SIKHAKHANE

FRASER Alexander (Fralex) is developing a new colliery on coal reserves it has acquired near opencast coal mine Woestalleen in the eastern Transvaal.

A company spokesmen declined to give financial details of the acquisition.

The colliery will add 600 000 tons a year to Fralex's coal production by 1993, when it is expected to be in full production.

Group chairman Peter Flack said yesterday operations at the new colliery were expected to be in full swing within the next couple of months.

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Woestalleen and the new colliery both produce specialised metallurgical-grade and high-grade steam coal.

Fralex is a diversified materials handling group with core businesses in the design, construction, operation, closure, remining and dump revegetation field.

Coal industry 'hanging in'

STAR 9/1/92

By Allen Cook (215)
chief executive,
Rand Mines Coal Division

OUTLOOK '92

The South African coal industry is not expected to have a particularly good 1992

As I assess the situation, 1992 will be a year of consolidation, so that we will be obliged to "hang in" in the hope that 1993 will be better all round for us.

Coal prices should by then have increased and certainly South Africa should occupy a strong supplier position.

We believe that on the domestic front slack demand will persist this year and the market will hold no great happiness for producers

We are still feeling the ripple from the mothballing by Eskom of the older uneconomic power stations.

Until the economy recovers and receives new local and overseas investment funds, the domestic market will remain static.

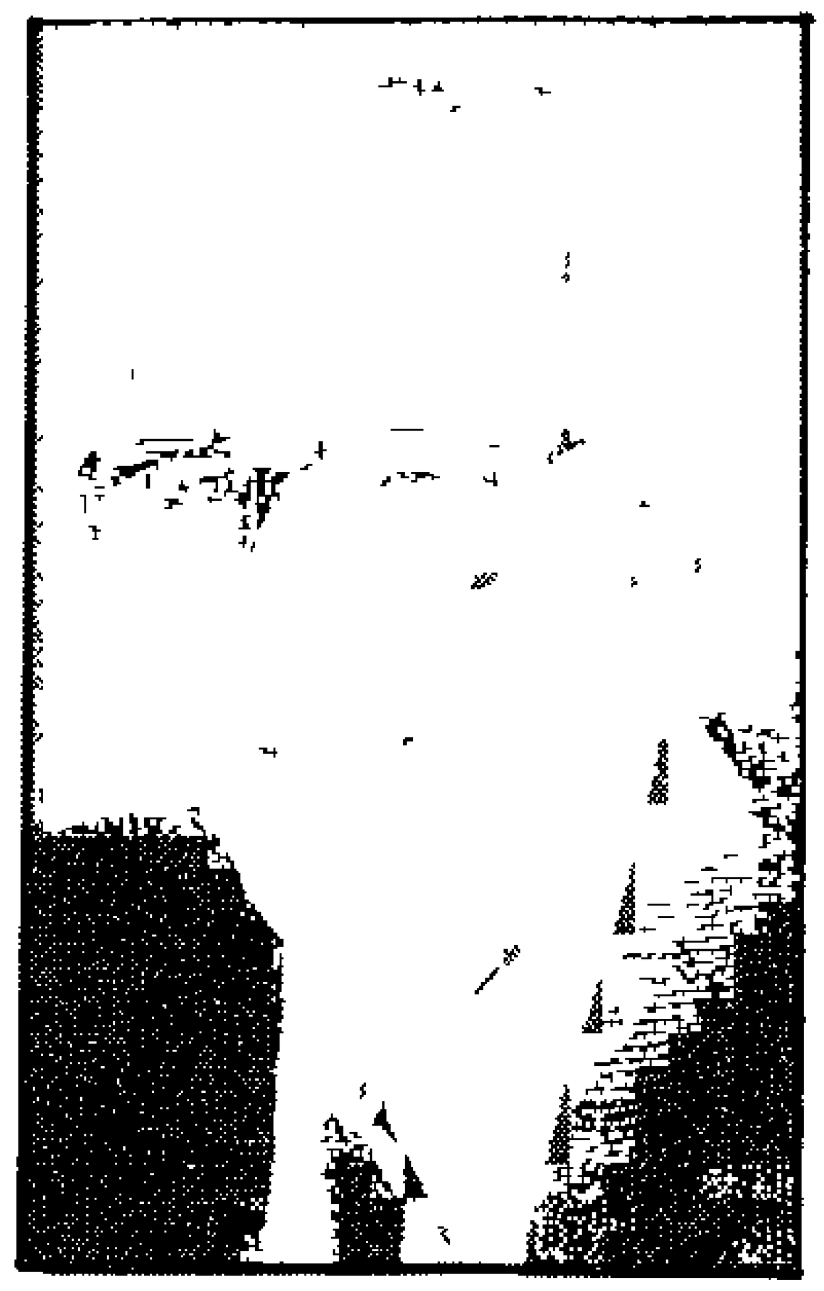
Restrictions

As regards the European coal markets, France and Denmark still have trade restrictions in place against South African coal.

As the enlarged European Economic Community is due to come into being in October 1992 and as boundaries will then disappear, so South African coal, which is being exported to elsewhere in the Community, will be able to enter the area more freely.

This should lead to new market opportunities of more than two million tons a year.

Regarding markets in the Far East, the Japanese power utilities have tied up coal contracts — disappointingly for South Africa — which will cover the greater part of their medium-term expansion.



Allen Cook

However, there is room for South Africa to become more involved in this market for a moderate tonnage

Another factor to be borne in mind is that Japanese utilities are traditionally nervous of heavy reliance on any one supplier

At present seven percent of their utility supplies comes from Australia alone — a situation that could provide openings for South African exporters.

Internationally, there is a delicate balance between supply and demand Demand for steam coal is increasing annually by around 2,5 percent and new suppliers such as Indonesia (supplying excellent quality coal) and Venezuela have emerged

If the price equilibrium falls away, then some of the high cost producers, typically in as the United States and Canada, would find market conditions very tough indeed and might even withdraw — only to return when the price rises again

Export potential

From January 1992, Richards Bay will be in a position to handle an export volume of 53 million tons a year and the rail capacity will soon be in place to handle this throughput.

However, to take full advantage of this extra capacity local coal exporters will need to exercise restraint and avoid over-supplying at all costs.

Rand Mines Coal Division is negotiating prices with customers but has been extremely disappointed at the capitulation of some producers who have accepted unnecessarily low price levels for their coal products.

Another unfortunate international development is that freight rates have appreciated sharply by about $2 a ton, thus obliging producers who sell CIF to absorb this rate increase as well as other inflationary factors

SA coal exporters keep prices static

B/Day 9/1/92 (215)

MATTHEW CURTIN

SA's coal exporters emerged from negotiations on steam coal contracts for 1992 with static or only marginally lower prices despite the world recession and gloomy short-term prospects, market sources said yesterday.

However, they believed major exporters were playing down their success so as not to encourage smaller producers who are backing the possibly competitive project to build the new "red" terminal at Richards Bay.

Amcoal, Trans-Natal and Randcoal Limited — the new name for Rand Mines's coal division formerly known as Witbank Colliery — have argued that a surge in exports from smaller players out of a second terminal would send prices tumbling.

One analyst said yesterday SA's main exporters had rolled over 1991 prices for 1992 in general, with price cuts of no more than US$1,50 a ton.

He said this was an achievement given weak demand, and reflected the levelling off of the "political discount" exporters offered customers when sanctions were in force.

Frankel Kruger analyst Kevin Kartun said contract prices were down by between $0,50 and $1 to about $30,90 a ton.

He said it was likely total exports from SA — the world's third biggest coal exporter after the US and Australia — would be marginally down in 1991 from the previous year when nearly 49-million tons were exported.

Kartun said "it was a buyer's market" and some exporters were finding it cheaper to leave the coal in the ground rather than export it.

The gloomy short-term export prospects had seen a long-awaited correction on the JSE's coal board in recent weeks, he said. The coal index stood at 3 685 yesterday, still more than 70% higher than in was a year ago, but 12% down from its high of 4 176 points reached late last year.

Another analyst said despite the main exporters' dire warnings of the dangers of raising SA exports, small producers were pursuing the red terminal option so that when market conditions improved they were not restricted by inadequate port facilities.

He said the volume of the international steam coal trade had risen by 9% a year on average in the 1980s, with conservative estimates of 5% to 8% yearly growth in the 1990s.

With environmental concern in the industrialised world over building new nuclear or coal-fuelled power stations, countries in the EC and Japan were finding it cheaper to import coal than mine and clean their own. New 40-year life power stations would depend on imports from SA, the US, Australia and Indonesia.

Steamed up over SA coal contracts

CT 9/1/92

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Own Correspondent

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Duiker seeks more export facilities at Richards Bay

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B/Day 13/1/92

MATTHEW CURTIN

A SUBSIDIARY of Duiker Exploration, the Lonrho SA company whose main business is mining and exporting coal, is taking part in a feasibility study to build extra export facilities at Richards Bay.

Duiker chairman Terence Wilkinson said in his annual review that demand for Duiker's export coal at attractive prices exceeded its port entitlement, hence the decision to look for additional facilities.

The decision by Portnet to investigate building a new terminal at Richards Bay with a likely capacity of 10-million tons a year has incurred the wrath of SA's major coal exporters, concerned that a surge in coal exports will knock prices given the current depression in the international steam coal trade.

Wilkinson said. "It is well recognised that undisciplined export marketing could see a repeat of the previously experienced server price competition' between SA suppliers This demands a responsible and equitable approach by existing and potential suppliers."

He said comments on "market discipline" also applied to the inland market which was "relatively inelastic under depressed market conditions".

He noted the rising cost of transporting coal by rail to and exporting through Durban, a matter of concern which required the exporters who use the port to investigate the longer term future of the facility and to improve its commercial viability.

Earnings a share at Duiker rose from 76,3c in 1990 to 109,2c in 1991, but Wilkinson said earnings would be unchanged in 1992, with Duiker dependent on the rand value of coal exports, the recovery of local industrial coal sales and cost containment in the current year

Duiker's bituminous coal division was the main contributor to the group's profitability in the year to end September 1991, in which after-tax profits climbed 43% to R15,7m

Coal sales fell marginally to 4,75-million tons as some inland supplies were reduced Coal exports stood at 2,26-million tons compared with 2,06-million tons in 1990, with inland sales falling from 2,77-million tons to 2,49-million tons in the same period

Duiker has embarked on a concerted programme to improve the division's facilities It has bought a fine coal washing plant to improve its high-grade processing capacity at the Witbank Consolidated Colliery and has awarded a contract for building a fine coal processing plant at the Tweefontein Colliery

Wilkinson said Duiker was looking into restructuring and improving the efficiency of both collieries to meet the demands of inland and export markets

Jo'burg to host world coal meeting

STAR 17/1/92

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By Mike Siluma

Conditions in the South African coal mining industry, and its return to international markets, are set to come under the international spotlight next week when leaders of the world's most powerful coal mining unions hold a two-day summit in Johannesburg.

The meeting, a sequel to one held in Geneva in October, will be hosted by the National Union of Mineworkers (NUM) and attended by the leaders of mining unions from Britain, the US, Australia and Germany.

Confirming the first-ever such meeting in South Africa, NUM acting general-secretary Marcel Golding said the aim of the gathering, which starts on Monday, would be to "flesh out" a joint approach to the problems of coal miners, agreed to at the Geneva meeting.

In Geneva, union leaders from the five nations called for:

- Co-operation between governments, unions, employers as well as international agencies to protect and promote the development potential of the coal mining industry.
- A boycott of coal imports from countries where human and trade union rights are violated, and where no adequate health and safety and social security system exists
- Opposition to mine closures and the over-exploitation of coal seams
- International agreements which would set standards for the maintenance and environmentally conscious use of coal seams

The new-found co-operation between the NUM and its foreign counterparts comes at a time when the South African coal mining industry is poised to make good some of the losses it suffered as a result of the international sanctions campaign, which reached its peak in 1986

The lifting of sanctions has led to concern among miners in the unionised countries, notably Australia, about the negative effect on jobs and wages that the return of cheaper South African coal to international markets might have in those countries

Union leaders attending the Johannesburg summit are British NUM leader Arthur Scargill, Hans Berger (Germany), Richard Trumka (US), John Maitland (Australia) and James Motlatsi of the South African NUM

Also next week the NUM will host a meeting of the Southern African Miners Federation, of which Mr Motlatsi is president. As well as those from South Africa, workers from Swaziland, Botswana, Zambia, Zimbabwe and Namibia will be represented at the conference.

- The NUM will hold its central committee meeting in Johannesburg next week to elect a new general-secretary.

Duiker shoots into the black

BIDay 17/1/92 (215)

WILLIAM GILFILLAN

BETTER quality coal and higher selling prices converted income at Duiker Exploration from a R205 000 loss in the last (December) quarter of 1990 to a R5,8m profit in 1991's December quarter

The surge in income came despite lower coal sales, down from 1,17m tons to 1,07m tons, and a stronger rand.

Director Chris Davies said the results were also helped by the rise in interest earned on the group's cash deposits which had increased as a result of Duikers' improved liquid position.

Earnings per share jumped to 29c from 6c in the December quarter of 1990.

Labour problems at the Erfdeel gold operation, managed by Anglo's Free-Gold but owned 30% by Duiker caused ore milled to drop from 311 000 tons in the September quarter to 257 000 tons.

Losses increased at the mine as gold continued its bear trend.

Working costs of R31,5m brought a loss of R2,8m from revenue of R28,6m for the December quarter.

The loss in the September quarter was R1,7m as costs of R35,2m were outweighed by the R33,5m in revenue.

At 139 000 tons, anthracite sales for the December quarter were down on the 171 000 tons achieved in the same quarter last year.

Duiker operates bituminous as well as anthracite collieries, and a gold mine. It also has an interest in Anglo's exploration of ore bodies beneath Freegold's northern division

Scargill due in SA

CONTROVERSIAL British trade unionist Arthur Scargill is to arrive today in Johannesburg, where he will attend a coal mining summit next week.

Mr Scargill, president of the British National Union of Mineworkers and Labour Party member, is expected to land at Jan Smuts Airport at 11 am, and will address a press conference, the South African National Union of Mineworkers (NUM) announced in a statement yesterday.

The summit, to be held on January 20 and 21 at an undisclosed Johannesburg venue, is to discuss energy and coal mining issues worldwide (215)

It follows a previous summit held in Geneva, Switzerland, in October, said NUM acting general-secretary Marcel Golding.

Representatives of coal mining unions in Australia, Germany and the US will also attend the summit. — Sapa.

World spotlight on return of SA coal

The Argus Correspondent

JOHANNESBURG. — Conditions in the South African coal mining industry, and its return to international markets, are set to come under the international spotlight this week when leaders of the world's most powerful coal mining unions hold a two-day summit in Johannesburg.

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In Geneva union leaders from the five nations called for, among other things.

- Co-operation between governments, unions, employers as well as international agencies to protect and promote the development potential of the coal mining industry
- A boycott of coal imports from countries where human and trade union rights are violated, and where no adequate health and safety and social security system exists
- Opposition to mine closures and the over-exploitation of coal seams. (215)
- International agreements which would set standards for the maintenance and environmentally conscious use of coal seams ARG 20/1/92

The new-found co-operation between the NUM and its foreign counterparts comes when the South African coal mining industry is poised to make good some of the losses it suffered as a result of the international sanctions campaign, which reached its peak in 1986.

Union leaders attending the Johannesburg summit are British NUM leader Arthur Scargill, Hans Berger (Germany), Richard Trumka (US), John Maitland (Australia) and James Motlatsi of the South African NUM.

Also next week the NUM will host a meeting of the Southern African Miners' Federation (SAMF) of which Mr Motlatsi is president As well as those from South Africa, workers from Swaziland, Botswana, Zambia, Zimbabwe and Namibia will be represented at the conference.

- The NUM holds its central committee meeting in Johannesburg next week, at which it will elect a new general secretary, following the election of former incumbent Cyril Ramaphosa to the general-secretaryship of the ANC last year

Scargill says SA coal is too cheap

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BDay 22/1/92

DIRK HARTFORD

ARTHUR Scargill, president of Britain's National Union of Mineworkers, yesterday called for an internationally agreed and stable coal price, saying coal miners in SA and other coal-exporting nations were the losers in the current "dog eat dog" situation.

Scargill told a news conference in Johannesburg that SA's coal industry would benefit enormously from a stable price as SA was currently selling coal up to $10 below accepted world prices

He said the extra money generated by a stable price would enable the SA industry to improve its "appalling" wages, conditions, welfare facilities and safety standards.

He said the real price of international coal should be $60 a ton, but even $50 would be sufficient to boost the domestic coal industry SA currently sells its coal for between $48 and $50 a ton.

Scargill is attending an international labour summit on coal mining hosted by SA's NUM Also attending are the president of the Australian United Mineworkers' Federation, John Maitland, and the secretary-treasurer of the United Mineworkers of America, John Banovic

Scargill said the fluctuation in the market price was disastrous for the economies of coal producing countries.

"What we want is a common-sense energy policy in which coal is central and not nuclear power, which is more expensive and dangerous," he said.

"This policy will also deliver fair wages and decent working conditions to coal miners The employers won't initiate it so we must do something "

The coal mining summit, which begins in Johannesburg tomorrow, is expected to thrash out a common approach to all aspects of the industry, including stable prices suitable to producers and consumers of coal, as well as common health and safety regulations

Scargill said the unions wanted to create a united front on these issues to achieve

- A sensible coal price policy;
- One international miners' movement, and
- An international coal agreement

"We need more and more energy in the world People are starving in the Third World while there is overproduction in the First World

"We must put people before profits every day of the week," Scargill said

Maitland said he was not frightened by the prospect of more competition between SA and Australia in world coal markets.

"There are sufficient markets for us all to have a good share so long as we get our act together "

CT 22/1/92

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New mine to boost SA coal exports

From WILLIAM GILFILLAN

COAL exports are set to rise by 2,4-million tons following yesterday's opening of the R500m Arthur Taylor Colliery opencast mine (Atcom) in the eastern Transvaal The exports are destined mainly for European and Far Eastern markets

The mine is a joint venture between Johannesburg Consolidated Investments' (JCI's) Tavistock Collieries and Total Exploration SA (Tesa), which is owned 65% by Total in France

Total chairman Serge Tchuruk said he felt awkward opening the mine at a time when France continued to ban SA coal imports "But I shall continue to urge the French authorities to lift the restrictions," he said SA coal imports to France were banned in the mid-1980s

The opening of the mine, which was the first export coal mine to be opened since 1981, coincides with the expansion of the Richards Bay coal terminal

JCI and Tesa's first joint venture developed over 10 years ago when JCI, holding no export permits, was looking for a partner with permits

Its first joint venture was the Arthur Taylor Colliery underground mine, which exported 2,7-million tons of coal in 1991

JCI chairman Pat Retief said the Atcom venture indicated the success of the joint venture with the underground mine In terms of the arrangement JCI manages the mines while Total markets the coal worldwide The coal reserves are held jointly by JCI, through Tavistock, and Total's Tesa

Tesa's R260m contribution to the Atcom venture was financed using local funds generated from its local operations In addition to its interest in the Arthur Taylor operations, Tesa holds 50% of Ermelo Mines Services, an export mine which produces 2,2-million tons of coal annually and 6% of Richards Bay Coal Terminal.

Although Retief believed the coal export market was not near saturation level, Amcoal chairman Graham Boustred warned in his 1991 review there were dangers in overestimating the extent of the market share that SA exporters could reasonably demand

"It is essential that the SA coal mining industry avoids the pitfalls of over production and consequent price collapse that have been apparent in a number of other commodities in recent years"

However Tchuruk said power plants presently under construction around the world would come on stream during 1994 and 1995 so increasing the demand for coal He added the growth of the world economy could not be sustained without coal as a energy source for power and electricity

Coal exports set to rise as mine opens

BDay 22/1/92

WILLIAM GILFILLAN

(215)

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He said it was essential that the SA coal mining industry avoided the pitfalls of overproduction and consequent price collapse

UK union angry over bid to import SA coal

STAR 23/1/92

LONDON — Trade union anger over the plan to import cheap South African coal through the port of Bristol is mounting

Britain's militant National Union of Mineworkers is leading the opposition to the building of a bulk handling terminal at Bristol after the Labour-controlled city council sold a 150-year lease empowering a private company to run the port — Star Bureau

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W/Mail 24/11 - 30/11 92

Summit seeks unity among coalworkers

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By FERIAL HAFFAJEE

SOUTH AFRICA is set to be a key player in setting international coal mining policy. This week delegates of world coal mining unions jetted in to hammer out an international coal price and an enery policy.

And the country could be the venue for the planning of an international coalworkers' union.

This is the hope of Arthur Scargill, the leader of the British National Union of Mineworkers, who is in South Africa for the coal summit.

"I want to see the first steps taken at this summit not only toward an international coal policy but for one united and international miners' movement," he said at a media briefing this week.

Scargill and mining union leaders from the US, Australia and various African countries are attending a coal summit today and tomorrow. The delegates hope to set an international coal price.

South African coal sells for $10 less than any other country, said John Maitland, president of the United Mineworkers Federation of Australia.

A fixed price would improve the wages, welfare and safety of South African workers. said Scargill.

He added that a fixed price would also benefit European countries where coal mining was in crisis because of low prices. Coal is selling for about $45 a ton on average — ideally its price should be $60. A fixed price would also end the price fluctuations which caused havoc on the markets.

Although price-setting was the primary aim of the summit, Scargill hoped that it would lay the foundation for a coal-based energy policy. It will also provide an opportunity for delegates to plan campaigns for the speedy ratification of the International Labour Organisation's standards relating to coal mining.

The visit of these federations is likely to be the forerunner of further co-operation, according to the various delegates. Tomorrow, they will launch a common approach document relating to wages and safety.

Hammering out strategy ... British mine union leader Arthur Scargill and former Cosatu president Elijah Barayi at this week's media briefing

Photo: GUY ADAMS

NTH, NTC members approve termination of listings from 24/1 Tiger Oats rights offer is 15 new shares for 200 at R37, ldr 31/1. Ldr for Fedsure's rights offer of convertible prefs is 7/2.

munications It covers joint marketing of voice enhanced applications (VEA)

JCI-Total colliery venture launched

(215)

S Times (Buss) 26/1/92

By IAN ROBINSON

THE PRESENCE of Total (France) chairman Serge Tchuruk at the inauguration of the R480-million Arthur Taylor Colliery Opencast Mine (Atcom) this week reflected the change in South Africa's world status.

Mr Tchuruk, who came to SA for the finish of the Paris-Cape Town motor rally, presided over the inauguration of the mine with Johannesburg Consolidated Investment (JCI) chairman Pat Retief

This high-profile occasion contrasted with JCI's muted announcement in April 1990 on behalf of subsidiary Tavistock Collieries that a decision had been taken "for the Arthur Taylor Colliery joint operation to exploit certain coal reserves contiguous to the existing mining activities"

Atcom is a 50-50 venture between Tavistock and Total Exploration South Africa (Tesa) Tavistock will operate the mine and marketing and distribution will be handled by Total.

Atcom has been designed to produce 2,4-million tons of saleable coal a year at full capacity, mainly for European and Far Eastern markets

The relationship between JCI and Total began in 1980 when Mr Retief — then chairman of JCI's coal division — approached Tesa for a partner with an export allocation and throughput rights at Richards Bay Coal Terminal It needed the partner to expand its sales to match Tavistock's increased production capacity after the opening of the Arthur Taylor underground mine (ATC) It has an annual capacity of more than a million tons

Mr Retief approached

That's the pits, Arthur

8/Times 26/1/92 (216)

ARTHUR SCARGILL, British mineworkers' union boss, this week made a touching plea for higher South African coal prices to ensure higher miners' pay.

Could it be that the closure of collieries in his own backyard — three this week alone — has something to do with this altruism?

Moatize coal mine may be revitalised

BDay 28/1/92 215

MATTHEW CURTIN

COAL group Trans-Natal has given the green light to a feasibility study which may lead to a R4,2bn revamp of Mozambique's Moatize coal mine and export infrastructure.

Group strategic and business development manager Sean O'Shaughnessy said yesterday that a pre-feasibility study was complete, and Trans-Natal and its partners had agreed in principle to proceed with the evaluation of the project.

The second study would start next year, and would address the geology of the Moatize coal field first, and then the infrastructure necessary to make the project viable. That might include upgrading a 520km stretch of the Tete-Beira railway and the construction of new port facilities at Beira.

Partners

The coal field is near the town of Tete, not far from the Zambezi, between the Zimbabwe and Malawi borders.

Trans-Natal chairman Brian Gilbertson said last year that the feasibility study would cost about R80m over a three-year period, and was part of the group's fast-moving capital spending programme.

The three partners in the project are Trans-Natal, the Mozambican Government, and Brazilian company Companhia Vale do Rio Doce.

Moatize is Mozambique's sole surviving coal producer. Coal production was severely disrupted by the civil war in the 1980s, falling from 319 000 tons a year in 1979 to current levels of about 4 000 tons a year.

If the mine is revived, it could produce as much as 7-million tons of coal a year.

Coal trade weathers the recession well

BDay 29/1/92 215

MATTHEW CURTIN

SA's mineral portfolio looks jaded, as the country's mines have borne the brunt of the current trough in the commodities cycle. It may be years before prices for gold, uranium, and vanadium among others improve.

The international coal trade, however, has weathered the recession comparatively well As an energy mineral, coal has peculiar benefits and risks for exporters.

SA has coal reserves which are more than 95% made up of hard or steam coal which is suitable only for fuel Local reserves of coking coal are enough to serve some of Iscor's steel-making needs, but are insignificant on a world scale SA has the seventh largest reserves of steam coal, contributes only 5% of world production, but has nearly 13% of world export trade.

SA steam coal is of relatively poor quality, with low thermal values compared with overseas supplies In these green times its low sulphur content is a plus, but its high ash content is not.

Many commodities compete with each other, such as carbon steel with stainless steel, and platinum with palladium in motor engine catalysts Steam coal has unusually stiff competition from natural gas and nuclear power, not only as rival energy sources but as fuels which are more friendly towards the environment.

Coal-fired power stations have been blamed for 8% of the carbon dioxide emissions which make up some of the greenhouse gases which are believed to contribute to global warming At the same time, the difficulty of disposing of nuclear waste safely and the memory of Chernobyl concern the detractors of nuclear power

The steam coal trade is partially protected from economic ups and downs which blight the fortunes of other commodities. When industrial production falls, demand for industrial commodities follows But regardless of recession or boom, Americans, Japanese and Europeans need air-conditioning in summer and heating in winter, most of which depends on electricity from coal-fired power stations. Even so, the world recession took its toll on the coal trade in 1991. Demand has been weak, export capacity is climbing, especially from new producers in the Pacific and Latin America, and prices have suffered.

Competition

SA's coal exporters seem to have shifted the emphasis of their export strategies from maximising market share to protecting their export margins in the past year and a half The shift was prompted by the demise of sanctions and the growing pressures on SA export margins.

Sanctions imposed in 1986 are said to have deprived SA exporters of 40% of their potential export markets, although sales fell by less Trans-Natal, Amcoal, Randcoal, formerly known as Witbank Colliery, and other exporters had to work harder for a bite of a smaller export cake, engendering fierce competition

Exporters are now regaining old markets, but unlike other commodity exporters they face a world which has plentiful alternative steam coal sources spread around the globe SA remains the single largest producer of gold, platinum, rhodium, vanadium and chrome

SA coal exports are vulnerable to increases in shipping rates given SA's distance from the main markets Rates have firmed this year compared with 1991, and it is hard for SA to compete for Far East markets with burgeoning Australian and especially Indonesian supply

South Africans have also lost some of their competitive edge. Costs on SA coal mines have outpaced the rand's depreciation against the dollar in times of stable dollar coal prices From being the lowest cash cost producers five years ago, SA producers are now little better than average. The mines' current drive to mechanise underground operations are an attempt to restore their advantage

Trans-Natal MD Mike Salamon says the consumption of steam coal rose by an average of 8,9% a year in the 1980s to 167-million tons in 1990 Trans-Natal forecast that by the year 2000 consumption will have risen by 6,5% a year to more than 300-million tons

He says while the demand for steam coal worldwide would more or less balance supply in the next two years, by mid-1990s demand would start to outstrip supply. That should boost steam coal prices, attracting new projects which in turn will restore the supply/demand balance.

However, should an excessive number of new projects come on stream, prices could again weaken by the late 90s.

Producers planning to start greenfields export projects today in SA or abroad — to benefit from rising demand and prices — risk catching the poorer market conditions expected by the time their projects come on stream

One such venture which is uppermost in all SA exporters' minds is the new "red" terminal at Richards Bay. The Richards Bay Coal Terminal is the world's largest, but its expanded 53-million ton capacity is already booked by Amcoal, Randcoal, Trans-Natal and some smaller producers.

If producers like Kangra-Agip, Gold Fields Coal, Messina Coal, and Sasol wish to claim their share of any increasing export pie in the 1990s, they need new facilities, such as the 10-million ton terminal being studied by Portnet

Dangers

SA's big exporters are concerned that such a boost to exports would narrow already tight export margins The new exporters risk seeing the new terminal given the green light this year, only for it to be commissioned in time for a possible sag in prices in the late 90s

Coal producers do not have to look far to see the dangers of attempts to grab extra market share, at a time of high prices, only for new capacity to come on stream as the market collapses

Such was the fate of Rand Mines and Usko's forays into vanadium Rand Mines was equally hamstrung in venturing into platinum, its two mines now mothballed and controlled by Impala Platinum And so were SA's ferrochrome producers, dogged for more than two years by fierce competition, overcapacity and tumbling prices

Smaldeel plans to buy 8-million tons of coal

WILLIAM GILFILLAN

RECENTLY listed coal mining group Smaldeel Coal is negotiating to purchase 8-million tons of reserves from its newly acquired Blackstream mine, MD Ed Young said. (215) B/Day 31/1/92

Young said yesterday last year's R5,3m acquisition of the Blackstream opencast coal mine was set to increase Smaldeel's earnings a share by 117% from 3,9c to 8,6c a share for the year to end July

He said the Blackstream acquisition had increased Smaldeel's net asset value from 77,6c to 114c a share using a value of R1,40 a ton for Blackstream's in-situ reserves

Blackstream's production — expected to be about 720 000 tons a year — had been on-sold to the MacPhail group. The contract was to remain in place until the mine's 11-million tons in reserves were depleted

Trans-Natal not likely to glow

B/Day 5/2/92

JOHANNESBURG — Analysts expect Trans-Natal Coal to turn in a flat to poorer performance for the six months ended December 31 1991, because of rising costs and soft international prices

Predictions among analysts polled range from a slight increase in distributable earnings to an 18% drop

A key factor in Trans-Natal's results for the first half of the 1991-92 financial year was expected to be progress in improving operational and economic efficiency at Koornfontein mines (215)

Davis Borkum Hare's Alex Wagner predicted a drop in attributable earnings to R79,2m from R96,9m for the six months to December 1990,based on flat export sales volumes and higher costs

However, James Allan of Anderson Wilson & Partners said he expected attributable earnings to rise slightly because ofreduced local sales, where profit margins were narrower than those for exports — Reuter.

Trans-Natal developing Mozambique coalfields

STAR 7/2/92

By Derek Tommey (215)

Planning is under way to make Mozambique a major coal exporter by the end of the decade, says Mike Salamon, MD of Trans-Natal

He made the announcement yesterday when disclosing an increase in Trans-Natal's interim dividend from 22c to 23c a share.

The planning centres on the Moatize coal field, near the town of the same name in Northern Mozambique

Partners in the project are Trans-Natal, the Mozambican government and Brazil's Compahia Vale do Rio Doce.

Mr Salamon said the partners had completed a pre-feasibility study, which had led to a decision to go ahead with a full study

The partners would meet in Maputo next month to discuss how to implement the study and how to finance it It is expected to cost about R70 million

Mr Salamon said Moatize coal resources were extensive. However, the cost of developing them would be about $1,5 billion.

Much of the money would be needed for a 400 kilometre railway line and a coal terminal

Moatize would mine 20 million tons of coal a year and have export sales of 10 million tons, representing just over a fifth of SA's current export figure

While some aid money might be available for the railway line, most of the money needed would have to come from private investors

Mr Salamon said Eskom's decision to mothball the Camden and the Komati power stations from the beginning of 1991 had badly affected Trans-Natal

It had now recovered from the setback by off-setting the loss of low-priced Eskom sales with higher-priced export sales

Exports now accounted for 67 percent of group income (63 percent a year ago)

Trans-Natal has not only published profit figures for the six months to December 1991 and for the six months to December 1990, but also for the six months to June 1991.

Mr Salamon said this had been done because the figures for the six months to December 1990 included sales to Camden and Komati

Therefore they were not really comparable with those for the six months to December 1991

A fairer indication of progress cold be obtained by comparing the latest figures with those of the six months to last June

The figures show that sales revenue rose 7,6 percent to R769,1 million, while the cost of sales rose 3,3 percent to R660,7 million

This boosted operating income by 44,5 percent to R108,4 million.

Pre-tax income was 43,6 percent higher at R95,2 million

But a R37,9 million swing around in tax payments and deferred tax reduced attributable income to R66,3 million, equal to 83,2c a capital unit from R78,1 million (96,7c a capital unit) in the six months to June

The increased dividend took R18,3 million (R15,5 million a year earlier).

The net cash position declined marginally to R175,3 million from R182,6 million at the end of 1990, mainly because of high capital expenditure.

The group said a year ago it had a R1 billion five-year capital expenditure programme

This has not been changed materially

Mr Salamon said change in political attitudes overseas towards SA had not yet helped coal sales. Several countries were still boycotting SA coal

As coal was sold on a one-year contract basis, sanctions would have to be lifted by August or September to assure sales next year.

Export prices now being negotiated by all major buyers and sellers were running about half a US dollar lower than last year.

He believed the "political discount" on South African coal had now disappeared

He said the group's ability to maintain its earnings in the six months to June this year would depend on exports, the dollar price of coal and the rand/dollar exchange rate being maintained at levels prevailing in the six months to December.

However, he believed that earnings in the period should at least be equal to those of the six months to December

TRANS-NATAL FM 14/2/92

Helping hand

(215)

Interim results show a better operating performance from Trans-Natal Coal Corp (TNC), with the problems at the Koornfontein division now largely sorted out. Even so, shareholders have the Receiver of Revenue to thank for the higher earnings and dividend

Pre-tax income was virtually unchanged at R95,2m (1990 R95,7m) but lower normal and deferred tax resulting from a nominal tax rate of 50,88%, compared with the previous 54,5%, left taxed income 10,5% up, at R66,3m (R60m)

Key point that emerges is TNC's increasing dependence on the export market for its profit, as its sales to Eskom continue to fall. That has cost implications, which have resulted in TNC's unit cost of sales rising 15,4% in the 12 months to end-December, despite a 6% increase in productivity on the mines which held the rise in unit mining costs to a creditable 7% over the period.

TNC's sales mix is changing, with low-cost Eskom tonnage being replaced by high-

FM 14/2/92 (215)

er-cost export tonnage, which has to be upgraded through washing plants before it can be sold Eskom, in contrast, takes unwashed raw coal Having to wash greater amounts of coal pushes up costs and also reduces yields from the run-of-mine (ROM) coal, because a greater tonnage ends up as discard on waste dumps.

Export revenues now make up 67% (63%) of TNC's total revenues, with sales volumes rising 3,8% to 5,5 Mt (5,3 Mt). Unit export revenues were up about 10% in rand terms thanks to a 3% increase in dollar prices coupled to the depreciation of the rand against the dollar

TNC MD Mike Salamon says he hopes to at least maintain the first-half results during the second half, but he points out the outlook for the SA coal exporters generally this year is "pretty grim"

Export volumes are likely to remain flat Salamon is forecasting total Richards Bay Coal Terminal (RBCT) throughput for 1992 at 45 Mt to 46 Mt, virtually unchanged from 1991's throughput of 45,3 Mt Dollar prices will be lower because contract prices in Europe were settled on average 2% lower in dollar terms While the SA exporters are still negotiating with their Far Eastern customers, the outlook is for more cuts

The Japanese have already succeeded in negotiating drops in price, ranging from US$50c/t to $1/t from their Australian suppliers, depending on coal type, and will pressure the South Africans for similar cuts.

Still, Salamon maintains the long-term future for the industry is sound The internationally traded steam coal market is forecast to rise from 170 Mt in 1990 to about 310 Mt by the year 2000. He points out the industry has seen no positive effects on sales volumes of the easing of political pressure on SA. Only Japan has lifted sanctions on coal Measures against SA coal imports still remain in place in formerly important markets like France and Denmark

The RBCT's project to expand annual throughput to 53 Mt from 44 Mt was commissioned on schedule and under budget in December, but growth in total sales volume is going to be linked to market conditions. Salamon says the only way more coal could be sold under present market conditions would be to discount the price SA companies have learnt the hard way what severe price competition does to profits

On the domestic market, sales to Eskom, at 4,9 Mt (6,1 Mt), were below target, but Salamon says the group has seen the worst of the effects of loss of Eskom business The Koornfontein division has been turned around and should be reasonably profitable in the second half.

TNC looks fully-valued, though a recovery in the major world economies could see the share appreciate. The interest in the Moatize coking/steam, coal project in Mozambique is another potential bull factor if this gets the go-ahead though first coal sales would only take place at the end of the decade

Brendan Ryan

'Granny' Leah's mine of enterprise

215

WMail 14/2 - 20/2/92

In a rural Natal village, an impoverished family runs its own 'coal mine'

By RAYMOND NXUMALO

A VISIT to "Granny" Leah Mhlophe is like taking a trip back to Johannesburg's gold-digging days more than a century ago. Her "opencast mine" may not be as lucrative, but it is certainly no less enterprising.

Her grandchildren and their friends queue up to help out at her "mine" in Blaauwbosch, near the KwaZulu township of Osizweni on the outskirts of Newcastle.

They follow her to the site, a stone's throw away from her house, where 42-year-old Phineas Shabangu waits with pick-axe in hand.

"You know your positions," Leah reminds her little "labourers" as they arrange themselves into a human chain inside the hole. Nkosinathi Buthelezi (10) lines up the buckets while above Shabangu starts digging.

"*Bhasobha,*" Nkosinathi warns as a loose rock almost hits Nomusa Mhlophe, whose duty is to shovel the falling soil and fill the waiting queue of buckets.

As soon as all eight plastic buckets are filled, the human chain goes to work. Sbongile Mkhize (12) picks up a bucket, throws it to Zanele Masondo (12), who in turn passes it to Lindiwe Myeza (13), then on to Nomusa Mhlophe (14), Sizakele Mncwango, Beauty Mhlophe and finally to Granny Leah, who throws the soil into a nearby pool of stagnant water.

Then she throws the bucket back down to Nkosinathi and the whole process begins again.

All this is done with a degree of disregard for the mine wall hanging menacingly above their heads. There is no doubt that the slightest tremor triggered by a blast at the Utrecht mine, some 90km away, could bring down the wall — instantly burying them under tons of soil.

Why does she subject herself and the children to such dangerous work? The object is to get coal out of the "mine".

"The coal-merchants who come around in trucks are expensive, and we need this rock. They charge R2,80 for a 20-litre paraffin tin and you can only make fire about four or even three times with that," Mhlophe explains, shaking her head in disapproval. To her, R2,80 is a lot of money.

I asked if it took very long to reach the coal. "It takes less than five hours to dig a grave, and we have the whole day to ourselves," she said, peeling dry skin from the palm of her hands. And at the end of the day she usually takes three, sometimes four, bucketsful of coal home.

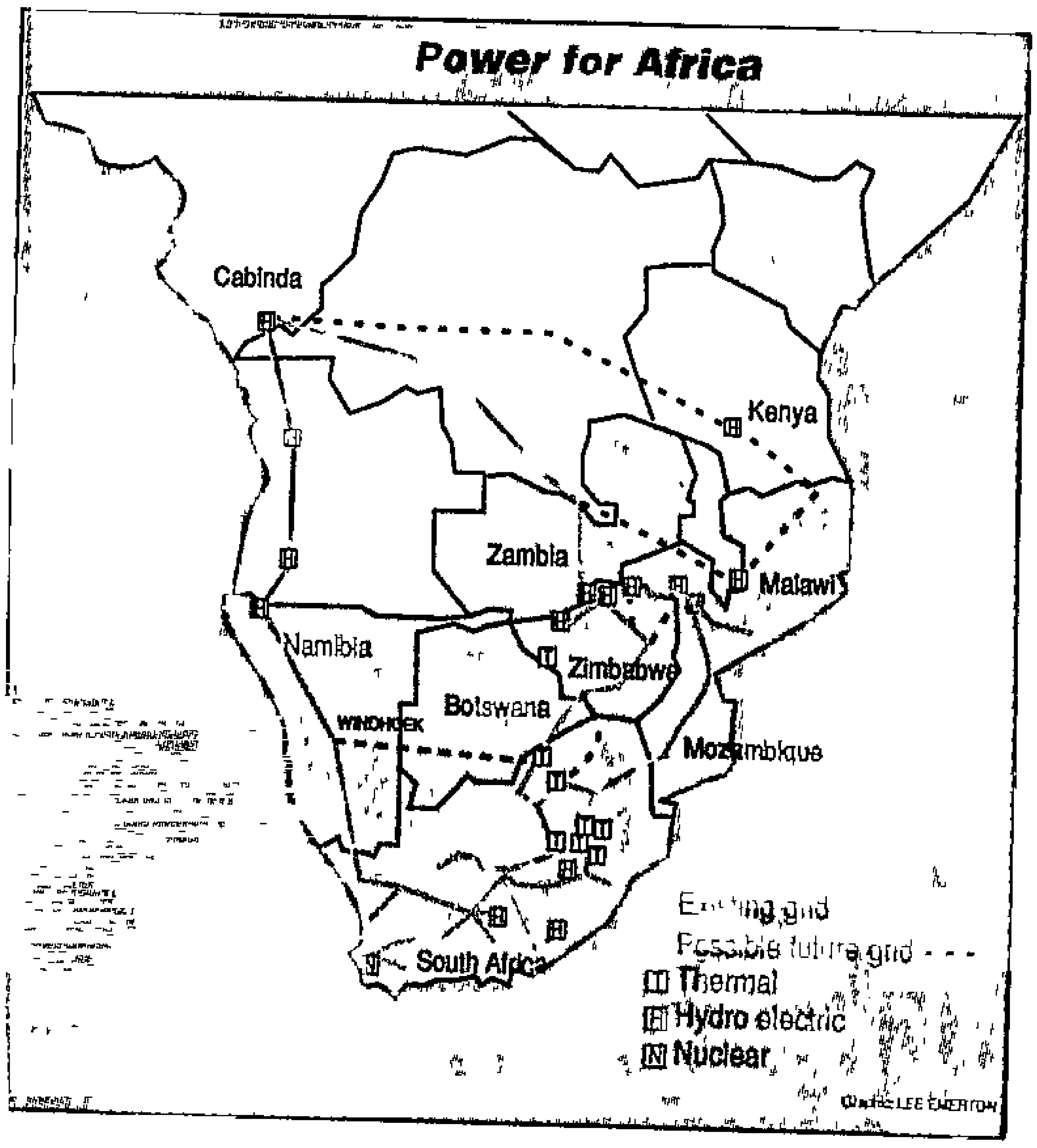
While Granny Leah's interest in this process are domestic-oriented, Shabangu's are more entrepreneurial: he sells the bricks he makes from the yield of the hole.

"I use the clay that I dig here to make bricks. I bake the bricks with the coal to make them hard," he explains. He charges R12 for 100 bricks. Most of the surrounding houses are built from home-made bricks.

There are 19 other holes owned and "mined" by other families, according to Shabangu's "employer", Goodness Ximba. She says anyone who has freehold rights to a piece of land with coal just beneath the surface can be an owner. And unlike most employers, she doesn't have to worry about staff wages. "Their wages are what they dig from that hole."

Human chain. Little 'labourers' pass along bucketsful of soil Photo: RAYMOND NXUMALO

BUSINESS DAY, Friday, February 14 1992



Coal industry faces a year of consolidation

BDay 14/2/92 (215)

THIS will be a year of consolidation for the SA coal industry, says Rand Mines subsidiary Randcoal CE Allen Cook

"Members of the industry will be obliged to hang in, in the hope that 1993 will be better," he says.

"By then, coal prices should have increased and SA should occupy a strong position as supplier

"On the domestic front, we expect demand to remain slack this year. We are still feeling the ripples from Eskom's decision to mothball its older, uneconomic power stations

"Until the economy recovers and receives new local and overseas investment funds, the domestic market will remain static"

Randcoal — formerly Witbank Colliery — has set the benchmarks for progress in the SA coal industry for the past 90 years.

Today, it is a major producer, employing 12 000 people and with a saleable coal output exceeding 30 million tons a year

It operates seven collieries, three exclusively linked to Eskom's newest power stations, two joint venture collieries dedicated to mining export coal, and the Douglas and Welgedacht collieries, which produce for both inland and export markets

Reserves

The historic cost of the group's mining assets exceeds R2bn, and it has an annual turnover of R1,5bn

Its strategically placed coal reserves total more than 15-billion tons

Viewing the conditions likely to prevail in European coal markets during 1992, Cook says France and Denmark still have trade restrictions against SA coal

But with the European Economic Community due to come into being in October this year, at which stage boundaries will disappear, SA can look forward to gaining freer access to the entire area.

"This should lead to new market opportunities worth in excess of two million tons a year," Cook believes

On markets in the Far East, he says "The Japanese power utilities have tied up coal contracts which will cover the greater part of their medium term expansion

"But there is room for SA to become more involved in this market for a moderate tonnage"

Another factor to bear in mind is that Japanese utilities are traditionally nervous of heavy reliance on one supplier

Currently, most of their utility supplies come from Australia, and this situation could provide openings for SA exporters

Demand for steam coal is growing annually by around 2,5% and new suppliers, such as Indonesia and Venezuela have emerged

Tough

If the price equilibrium falls away some of the high cost producers, such as the US and Canada, would find market conditions tough.

Richards Bay's handling capacity has increased to cope with an export volume of 53-million tons a year and the rail capacity to handle this throughput will soon be in place.

But to take advantage of this extra capacity local coal exporters will need to exercise restraint and avoid over-supplying he

Sasol prepares to enter coal export market

215

STAR 26/2/92

By Derek Tommey

A "no" vote in the referendum would be a sad day for economic development, Sasol managing director Paul Kruger said yesterday.

Despite a number of adverse factors, Sasol increased its earnings by 14,6 percent from 82,5c to 94,6c a share in the six months to last December 25

The interim dividend has been raised by 12,3 percent from 32,5c to 36,5c a share.

Mr Kruger said at a press conference to announce company results that the easing of foreign political pressure in the past two years had opened up vast opportunities for South Africa and for Sasol, and that it would be a tremendous setback for the economy if these were lost.

Sasol had embarked on a major new investment programme aimed at increasing its export earnings from the present R500 million a year to around R1,3 billion a year within the next 18 to 24 months.

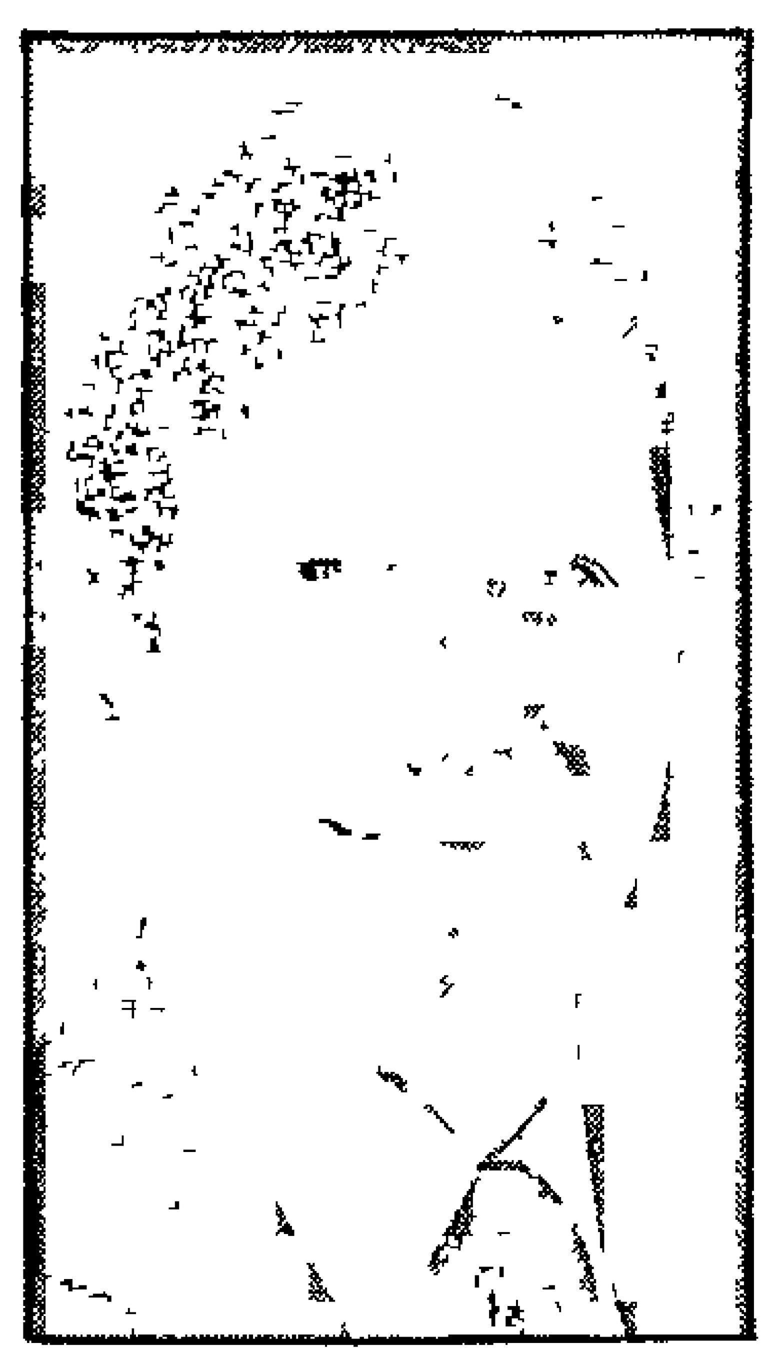
Race sponsor

This planned increase in exports and the need to get Sasol's name known overseas was one of the reasons why it was sponsoring a car in Formula 1 motor racing.

He said Sasol was planning to enter the export coal market

It hoped to be able to take up some of the spare capacity at the Richards Bay coal terminal

But if this were not possible, then it would hold discussions with other coal producers about financing the construction of a second coal terminal



Paul Kruger . Sasol sponsoring Formula 1 racing car to get better exposure.

Factors affecting profits in the six months included the drop in the petrol price after the end to the Gulf War a year ago, depressed export markets for chemicals and depressed conditions in the local market

Mainly as a result of the fall in the price of oil from $27 a barrel in the six months to December 1990 to $24 a barrel in the same six months last year, Sasol's turnover had declined from R4 billion to R3,96 billion.

But the decrease in operating income from R974,2 million to R868,8 million was more than offset by interest payable dropping from R204,5 million to R119,4 million, and the tax provision declining from R299,2 million to R208,7 million

This had resulted in taxed profit rising R70,8 million to R541,5 million.

Mr Kruger said that the synthetic fuels division had enjoyed a substantial increase in production volumes as a result of "being smarter"

This had made for an excellent contribution towards countering cost increases, a reduction in product prices and lower refining margins

Over-capacity

He said there was tremendous over-capacity in the petrochemical manufacturing industry and Sasol was having to compete overseas with many dumped products

But the shut-down of some of these plants should help Sasol's sales.

Sasol itself was investing heavily to increase the recovery of white products from its feed stock from the current 86 percent to around 88 percent, which would help profits, he said

Mr Kruger expected the world economy to start picking up by the second half of this year, but thought the South African economy could lag this recovery by several months

Profits in the second half of Sasol's financial year to June should be better than those of the first half, but the rise would not be as strong as a year ago, he predicted.

However, by this time next year, Mr Kruger said he expected to be feeling decidedly bullish about Sasol's prospects

Talk of coal price hike

215

MATTHEW CURTIN

INTERNATIONAL prices for steam coal will have to rise if new investment to satisfy projected demand is to be justified, say SA and Australian coal industry spokesmen

BDay 4/3/92

The US-based journal Coal Week International reported in its latest edition that the spokesmen told the National Agricultural and Resources Outlook Conference in Canberra last month that SA and Australia would remain the main sources of new steam coal exports well into the '90s.

Randcoal chairman Allen Sealey said. "It is very clear that further expansions of the export industry cannot be justified without the encouragement of a significant improvement in price levels."

Sealey said that if SA was to push coal exports beyond the 53-million ton mark, it would have to develop new mines, projects which at current coal prices would not be feasible

Australian Bureau of Agriculture and Resource Economics spokesman Tony Beck said that demand for steam coal would outpace even the marked increase in low-cost supplies from Indonesia and other countries

China, the Commonwealth of Independent States and Poland were not in position to increase exports sharply in the medium term, so at least stable real prices would be necessary to encourage the development of increased export capacity in the US, Canada and Colombia

Talk of coal price hike

MATTHEW CURTIN (215)

B/Day 4/3/92

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Millions of dollars at stake in coal industry dispute

S'Times 8/3/92

2.15

By PETER MALHERBE

THE alleged theft of thousands of tons of coal from a Natal mine has lifted the lid on a multi-million-dollar wrangle in the coal industry.

The coal, which was removed from the premises of a liquidated mining company near Vryheid last Thursday, is the latest development in a dispute between a German company, Thyssen, and a Spanish-born businessman operating a string of companies in South Africa, Mr Jose Holgado

Thyssen reportedly invested millions of dollars in Mr Holgado's companies to secure mineral rights at the mine, Rustplaas. The mine was operated by one of Mr Holgado's companies, Minesa Mining, which was liquidated last December

Claims

High-living Mr Holgado, who has homes in Kyalami in the Transvaal and Plettenberg Bay, and a stud farm at Nottingham Road in Natal, is also involved in disputes with other companies.

He is facing legal action from a Brussels-based company, Jackson Shipping and Coal, relating to disputes over the invoicing of coal shipments from South Africa and demurrage claims on shipments from Maputo to Turkey

It was also established this week that Boland Bank has unpaid claims of at least R22-million as a result of a failed mining venture with Mr Holgado in the Transvaal, Bordex Mining It was liquidated in February 1990

JOSE HOLGADO
In several wrangles

Police confirmed on Friday that they were investigating a charge of theft relating to the removal of about 4 000 tons of coal from the Rustplaas mine The coal was allegedly transported to a plant and rail siding at Lenjane, which is used by Mr Holgado's companies.

The theft charge was laid at the Vryheid police station by a Thyssen representative, who handed police photographs of a truck moving coal from a stockpile at the Ami washing plant attached to the mine

Police said the transport company would be asked for a statement once documentation on the ownership of the coal had been inspected

Meanwhile, the liquidators of Minesa Mining, Antrust in Johannesburg, dispatched a surveyor to the mine on Friday in an attempt to clarify the situation.

Liquidator John Fourie said he could not comment on the reported theft until he had all the facts

The general manager of Minesa Energy, Mr Glynn Sproat, said only Mr Holgado could comment and he was not available. He was said to be in the Vryheid area.

It is believed that Thyssen's investment in Mr Holgado's companies was in the form of loan agreements to finance development of mines and stock. Part of the payment was made to an offshore company, Indo-Atlantic Resources

Ceded

Stockpiles at Rustplaas totalling 45 000 tons of coal were ceded to Thyssen after Minesa Mining went into liquidation last year Other stockpiles are being held in trust by the liquidators

Thyssen is also claiming about \$2-million (R5,6-million) from Minesa Energy for amounts owing since December.

The claims from Jackson Shipping and Coal relate to a deal set up whereby coal mined by Bordex Mining was exported through Jackson Shipping and Coal

However, the deal went sour as a result of a dispute over invoicing through two companies, Minesa Energy in South Africa, and Carbones Americanos in Madrid

Complaints were made by Jackson representatives to the Reserve Bank in Pretoria and the Commercial Branch of the South African Police in Johannesburg, but no charges resulted

Jackson Shipping and Coal is also claiming more than \$300 000 (R840 000) from Mr Holgado for demurrage paid on shipments of coal from Maputo. Minesa Energy has refused to refund Jackson for the demurrage.

The amount was allegedly claimed by Minesa Energy from the Credit Guarantee Insurance Company in South Africa.

Renewed coal sales to France hailed

STAR 13/3/92

By Sven Lunsche (215)

The Chamber of Mines yesterday welcomed the lifting of sanctions on SA coal by the French government, but warned that sales to France would be much lower than in 1986, when sanctions were imposed.

In 1985 South Africa supplied 6,5 million tons, or 30 percent, of France's total coal requirements.

Since then France had moved away from coal-fired to nuclear-powered power stations and new coal sales were likely to be limited to between 500 000 and one million tons, the chamber said.

This would result in export earnings of about $30 million and the creation of up to 800 jobs.

Nevertheless, a spokesman for the chamber said any move that increased export opportunities in the highly competitive overseas markets was to be welcomed.

Total coal exports last year totalled 48,54 million tons valued at R4,24 billion, the Minerals Bureau reported yesterday in its release of 1991 production and sales figures.

Local sales of coal totalled 130,6 million tons worth R4,44 billion to SA's coal mines

Coal sales accounted for almost half of total local mineral sales of R9 billion, the bureau said.

Export sales

Local copper sales were valued at R415,6 million, iron ore sales at R366 million, limestone and dolomite at R469,4 million and chrome ore at R272,7 million

Export sales of minerals netted local producers in excess of R30,4 billion, despite generally depressed international commodity prices.

The list of mineral exports is headed by gold sales of R19,3 billion and followed by bituminous coal

Platinum exports totalled R2,7 billion followed by iron ore sales of R783 million

Sales of copper netted R637,6 million, while manganese exports totalled R594,5 million

France lifts ban on SA coal

(245) CT 13/2/91

Own Correspondents

JOHANNESBURG — France yesterday lifted its seven-year embargo on imports of South African coal

The only countries still to lift coal sanctions against South Africa now are the US and Denmark

France's minister of industry said the sanctions were lifted as a gesture of support for President F W de Klerk and his reform process

The news was welcomed last night by an Amcoal spokesman and by Mr Mike Salamon, managing director of Genmin's coal-mining arm Trans-Natal

Mr Salamon said it meant South Africa was again able to trade on a commercial basis in the important market for steam coal, which it had lost through sanctions

Although the French market for steam coal made up a small share of world export trade, the move presented exporters with more options

He said that before sanctions, South African producers supplied about four million tons to France, but with the trade embargos, the French turned to high-quality low-cost US supplies Local producers would now have to compete with US companies, which enjoyed lower freight costs in supplying France

Market sources said, however, that the lifting of the embargo would have no immediate effect on South Africa's coal industry The current export-capacity restraint of 53 million tons a year from the Richards Bay Coal Terminal made it impossible to increase the level of coal exports dramatically

France lifts 7-year ban on SA coal

Bday 13/3/92

MATTHEW CURTIN and SHERIDAN CONNOLLY

FRANCE lifted its seven-year embargo on imports of SA coal yesterday, leaving the US and Denmark as the only countries still to lift their coal sanctions (215)

France's industry ministry said the sanctions were lifted yesterday, a gesture of political support for President F W de Klerk and his reform process

Mike Salamon, MD of Genmin's coal-mining arm Trans-Natal, said last night the news was welcome, as SA was again able to trade on a commercial basis in an important market for steam coal which it had lost through sanctions

Salamon said although the French market for steam coal made up a small share of world export trade, the move presented exporters with more options

France met about 75% of its energy requirements through nuclear power, and the remainder through hydroelectric and coal-fuelled power stations Coal tended to be the swing energy source, and French imports varied considerably, with much material bought on the spot market

Before sanctions, SA producers supplied about 4-million tons to France, but with the trade embargos, the French turned to high-quality low-cost US supplies. SA producers would now have to compete with US companies, which enjoyed lower freight costs in supplying France

Salamon said the French market amounted to 9-million tons in 1991, with 6-million to 9-million forecast for 1992 French customers had already committed themselves to contracts for much of their needs this year, but SA producers were likely to pick up about 1-million tons of new demand in the medium term

An Amcoal spokesman welcomed the decision.

Market sources said the lifting of the embargo, in force since 1985, would have no immediate effect on SA's coal industry The current export capacity restraint of 53-million tons a year from the Richards Bay Coal Terminal made it impossible to increase the level of coal exports dramatically. The existing alternative was to export coal through Maputo, but its harbour was small and unreliable.

Coal export hike tipped this year

JOHN SPIRA (215) ARG 14/3/92

JOHANNESBURG — Some South African coal producers look poised for growth in the 1990s, mainly because of anticipated increases in steam coal exports.

Trans Natal, the biggest exporter, has been transformed in recent years and offers investors, whose options are limited by the low yields prevailing on industrial shares, an entry point into a sector with good growth prospects

World trade in coal is dominated by steam coal exports, which, on a global basis, reached 167 million tons in 1990.

Japan was the largest single importer at 31 million tons. European countries consumed another 40 percent, with the balance spread around the rest of the world

Major suppliers included Australia (48 million tons), South Africa (46 million tons) and the US (30 million tons), collectively accounted for 74 percent of total supplies

Total South African coal exports, including coke and anthracite, reached 49,2 million tons in 1990. Last year total coal exports dropped marginally to 48,6 million tons.

The forecasts are based on the assumption of no material change in oil prices and on the expectation that the growth in demand for steam coal will be dampened by greater enviromental pressures

DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGS-ONTWIKKELING

No. 829 **20 Maart 1992**

VERKLARING TOT BEHEERDE MYNE EN RISIKOWERK

Ek, Pieter Jozua Aucamp, Hoofdirekteur: Forensiese en Navorsingsdienste, Departement van Nasionale Gesondheid en Bevolkingsontwikkeling, handelende namens en in opdrag van die Minister van Nasionale Gesondheid, verklaar hierby kragtens artikel 10 van die Wet op Bedryfsiektes in Myne en Bedrywe, 1973 (Wet No. 78 van 1973), die volgende myne met ingang van 1 Mei 1992 tot beheerde myne:

(a) Die myn bekend as **Corby Rock Colliery (Pty) Limited,** op die plaas Corby Rock 1159, geleë in die landdrosdistrik Dundee, provinsie Natal, wat tans deur Corby Rock Colliery (Pty) Limited, Posbus 1348, Dundee, 3000, ontgin word.

(b) Die myn bekend as **Lakeside Colliery,** op die plase Welgelegen 221 IR en Leeuwfontein 219 IR, onderskeidelik geleë in die landdrosdistrikte Delmas en Witbank, provinsie Transvaal, wat tans deur Rapid Coal Holdings (Pty) Limited, Posbus 12247, Chloorkop, 1624, ontging word.

(c) Die myn bekend as **Westside Colliery,** op die plase Rondevly 208 IR en Dwarsfontein 209 IR, geleë in die landdrosdistrik Delmas, provinsie Transvaal, wat tans deur Rapid Coal Holdings (Pty) Limited, Posbus 12247, Chloorkop, 1624, ontgin word.

Kragtens artikel 13 van genoemde Wet verklaar ek hierby die volgende werk by genoemde myne met ingang van dieselfde datum tot risikowerk:

Uitgrawing: Enige werk in ondergrondse of oop delfplekke.

Bogronds: Enige werk—

(i) waar die verskuiwing, oorplasing of hantering van klip, rots, steenkool of ander minerale plaasvind, sowel as laaiwerk by ondergeskikte sylyne wat op die myngebiede geleë is;

(ii) waar die vergruising, sif of klassifisering van klip, rots, steenkool of ander minerale plaasvind, uitgesonderd waar dit onder water geskied,

(iii) op of by afvalhope, steenkoolhope of slikdamme, uitgesonderd waar die materiaal in die vorm van slik gestort word;

(iv) in boorslypwinkels of by enige ander plek waar bore skerpgemaak word,

(v) in kleedhuise waar persone wat risikowerk verrig, hulle verklee;

(vi) in steenkoollaboratoriums, uitgesonderd in afsonderlik geventileerde dele daarvan waar slegs nat ontledings uitgevoer word en geen behandeling van droë klip, rots, steenkool of ander minerale plaasvind nie,

(vii) waar monsters van vergruisde steenkool of ander minerale in 'n droë toestand gegradeer word; en

(viii) waar rotsboorwerk gedoen word.

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No. 829 215 **20 March 1992**

DECLARATION OF CONTROLLED MINES AND RISK WORK

I, Pieter Jozua Aucamp, Chief Director: Forensic and Research Services, Department of National Health and Population Development, acting on behalf and by direction of the Minister of National Health, in terms of section 10 of the Occupational Diseases in Mines and Works Act, 1973 (Act No. 78 of 1973), hereby declare the following mines to be controlled mines with effect from 1 May 1992:

(a) The mine known as **Corby Rock Colliery (Pty) Limited,** on the farm Corby Rock 1159, situated in the Magisterial District of Dundee, Province of Natal, which at present is worked by Corby Rock Colliery (Pty) Limited, P.O. Box 1348, Dundee, 3000.

(b) The mine known as **Lakeside Colliery,** on the farms Welgelegen 221 IR and Leeuwfontein 219 IR, situated in the Magisterial Districts of Delmas and Witbank, respectively, Province of the Transvaal, which at present is worked by Rapid Coal Holdings (Pty) Limited, P.O. Box 12247, Chloorkop, 1624

(c) The mine known as **Westside Colliery,** on the farms Rondevly 208 IR and Dwarsfontein 209 IR, situated in the Magisterial District of Delmas, Province of the Transvaal, which at present is worked by Rapid Coal Holdings (Pty) Limited, P.O Box 12247, Chloorkop, 1624.

I hereby, in terms of section 13 of the said Act, declare the following work at the said mines to be risk work with effect from the same date:

Excavations: Any work in underground or open workings.

On the surface: Any work—

(i) where the moving, transfer or handling of stone, rock, coal or other minerals takes place, including loading operations at subsidiary sidings situated on the mining areas;

(ii) where the crushing, screening or classification of stone, rock, coal or other minerals takes place, except where this is carried out under water;

(iii) on or at waste dumps, coal dumps or slimes dams, except where the materials are being deposited in the form of slime,

(iv) in drill-sharpening shops or at any other place where drills are sharpened;

(v) in change-houses where persons performing risk work change their clothing;

(vi) in coal laboratories, except in separately ventilated parts thereof where only wet analyses are done and no treatment of dry stone, rock, coal or other minerals takes place;

(vii) where samples of crushed coal or other minerals are graded in a dry state; and

(viii) where rock drilling is done

Coal price 'must rise to justify higher exports'

(215)

B/Day 20/3/92

MATTHEW CURTIN

EXPORT coal prices will have to rise by between 15% and 25% in dollar terms to justify the new coal projects necessary to take SA's yearly export capacity beyond the 64-million ton mark, says Randcoal CE Allen Cook This is despite SA's vast coal reserves.

Cook said yesterday that to expand exports from current levels of 47-million tons to 64-million tons of steam coal, capacity could be maintained for several decades by "brownfields" and expansion of mine and port facilities.

Above that level, new mining areas would have to be developed, requiring large capital investment because the areas where the new coal deposits were had no infrastructure.

Addressing the Coal 1992 Indaba in Randburg, Cook said the Richards Bay Coal Terminal had a new expanded export capacity of 53-million tons of coal a year Practical capacity was lower due to constraints imposed by Spoornet's rolling stock capacity on the dedicated Richards Bay coal line.

Nevertheless, SA's position as a competitive exporter of steam coal was secure.

"While geographical factors make some markets more 'natural' than others, SA will certainly continue to take part in all major coal importing areas," he said

"Provided there is no significant shift in the political direction being steered by President F W De Klerk, the SA coal industry stands to benefit significantly from the lifting of sanctions and restrictions on coal exports."

By 1995 SA might have a share of more than 10% of new or regained markets in Japan, Korea, Denmark, France, the Netherlands, UK, US and others, which were worth 96,6-million tons a year in 1990 SA currently had 27% of world seaborne steam coal trade

Real growth in Japan, a market denied to SA exporters by sanctions, would occur only after 1994 when Japanese customers renegotiated long-term contracts. Korean demand for coal was rising rapidly as it built more coal-fired power stations and SA could expect a million ton a year share of the Korean market, where demand in 1990 was 11,6-million tons.

Freight costs ensured that SA coal was more competitive in Europe than the Far East, where it faced stiff competition from Australia and Indonesia.

"Significant growth in demand is expected in Western Europe and in the longer term in Eastern Europe SA coal is price competitive, especially if the price of coal from current cheap suppliers in the CIS and Poland begins to reflect real production costs," Cook said

Cook predicted that SA producers could win a fifth of the Dutch steam coal market, and make inroads in the UK, depending on the future of local coal mines and the use of natural gas.

Mining gear contract

(210) (215)

S/Times (8455]

KOMDRESCO, a joint venture between Anglo American subsidiary Amquip and Dresser Industries, was recently awarded a R60-million contract for the supply of mining equipment to Amcoal. 22/3/92

Komdresco represents the mining-equipment business of Dresser (USA) and Komatsu of Japan, one of the largest suppliers of construction and mining equipment in the world.

In terms of the deal Amcoal will be supplied with the largest wheel loader manufactured by Komatsu, the WA800, the first of its kind to be marketed locally.

Komdresco offers a wide range of construction and mining equipment, from crawler tractors to wheel loaders, hydraulic excavators, cranes, scrapers, graders, belt conveyors, crushers, feeders and forklift trucks.

STAR 25/3/92 215

Under siege

Coal producer Frigate Group, whose shares have fallen to 5c from a 1991 high of 30c, warns shareholders today that a holder of 500 shares, Eugene Kotze, has applied for the company's provisional liquidation.

The director say, however, there is no basis for the application, which will be strongly opposed — Finance Staff.

COMPANIES

Assore posts 58% higher profit

MATTHEW CURTIN

BASE metal and mineral producer Associated Ore and Metal Corporation (Assore) has posted a 58% jump in attributable profit in the six months ended December 1991

B/Day 25/3/92

Assore's results belied the slump in base metal and ferro-alloy markets thanks to a 100% increase in dividends it received from associate company Associated Manganese (Assmang)

Assore's main business is chrome ore mining, and it supplies Assmang subsidiary Feralloys' plant in Fairview

Attributable earnings rose to R8,8m from R5,6m in 1990 Earnings rose to 626c from 397c a share

Assore declared a 50% higher interim dividend of 300c (200c) a share

Deputy chairman Desmond Sacco said yesterday Assore benefited from an increase of R4m in the final dividend received from Assmang

Sacco said both the turnover and net income other than Assmang's dividend were knocked by the results of Assore's chrome mines. Ore mined was reduced "substantially in response to the continued weakness in the ferrochrome market" Turnover rose 6,7% — against a 43% drop in the interim period in 1990 — while other net income fell to R3,3m from R5m

Coal company Frigate at risk of going to the wall

215

B/Day 25/3/92

MATTHEW CURTIN

CRIPPLING debts, the poor performance of its coal mines, and the institution of liquidation proceedings are threatening to sink independent coal company Frigate

Minority shareholder Eugene Kotze applied on Monday for the liquidation of the Frigate Group whose 1990 annual report was published only this month and qualified by auditors KPMG Aiken & Peat

Kotze said in a letter to fellow shareholders he was concerned about the financial position of the company and the way it had been managed

Kotze said after consultation with his attorneys and a qualified chartered accountant "They have confirmed my fears that the company is in fact insolvent and that it has lost more than 75% of its issued share capital," a view confirmed by senior counsel.

"My attorneys have been instructed to institute liquidation proceedings against the company as I have been advised that, if in the course of the proceedings it appears that the directors of the company have conducted the affairs of the company recklessly, this will found an action against the directors personally to render them liable for the debts of the company," Kotze said

Selwyn Cohen, attorney with Moss-Morris Mendelow Browde, confirmed yesterday an application for the liquidation of Frigate had been launched in the Rand Supreme Court this week

Frigate director Barry Love was unavailable for comment yesterday

Frigate's auditors said in their qualified report that the financial statements were prepared on the assumption that Frigate was a going concern. The group's ability to continue as a going concern was largely dependent on the resumption of profitable operations and the continued financial support of a major creditor

In July 1990 Wakefield Investments, a wholly owned subsidiary of Finansbank, bought 40% of Frigate's issued share capital for R100, invested R5m in the group by way of preference shares, and arranged R17m in short-term funding. Wakefield has also provided a moratorium on the group's debt repayments to the end of this year

As of December 31 1990, Frigate had an accumulated loss of R8,7m and long-term debts of R46m

In his 1990 annual review, now former chairman and MD Mike Stanley said the expansion of the group's mining and contracting operations put a severe strain on Frigate's finances, with borrowings rising by nearly 60% Frigate posted an operating loss of R4,3m in 1990 (1989 R10m profit), and an attributable loss of R16m (R3,3m profit) after R8,9m in financing costs

He said in spite of "corrective action", Frigate continued to incur losses until March 5 this year

Frigate's decision to start coal mining in 1989, after initial success as a contractor for other mining companies, has cost the group more than R30m in the last two years Even the sale of its profitable plant hire division to Scharrihuisen Holdings in mid-1991 cost Frigate R8m

Frigate shares have been untraded at 5c for several weeks, compared with a 1989 listing price of 85c, and a high of 100c in early 1990 The group's current market value is R1,7m

Mine officials held hostage

(215)

Sowetan 25/3/92

FIFTEEN white mine officials were taken hostage by striking miners at a coal mine near Dundee in northern Natal yesterday.

They were released last night after the intervention of officials of the National Union of Mineworkers and management

The hostage drama started after hundreds of miners began an underground protest, said mine owners Iscor

The reasons given are alleged racial discrimination and unfair dismissal of miners.

The white officials were held underground

Police said 22 people had been held hostage and two Asian and five white mine officials had managed to escape

"The SA Police Task Force, stationed in Pretoria, was sent to the scene in an attempt to secure their release," a police statement said

Iscor said the morning shift went underground and had immediately embarked on an illegal strike, demanding that their grievances be addressed by management and the union

It said it had no knowledge of the workers' grievances

National Union of Mineworkers publicity spokesman Mr Jerry Majatladi said the miners had protested against the unfair dismissal of three senior union leaders, racial discrimination and the retrenchment of 200 miners, who were later replaced with contract labour

Majatladi said about 3 000 miners had embarked on the sit-in but Iscor said there had been 800 strikers

Majatladi said production at the mine ground to a halt during the strike - *Sapa*

Striking miners release underground hostages after talks with union

BDay 25/3/92 (215)

WILSON ZWANE

FIFTEEN white mine officials were released unharmed just after 7pm yesterday after being held hostage underground for 12 hours by hundreds of striking black miners at Iscor's Durnacol coal plant near Dannhauser in Natal.

A spokesman for Iscor in Pretoria confirmed the miners emerged from the mine after lengthy negotiatons with top officials from the NUM

The NUM has denied the miners were held against their will, and said union representatives would meet Iscor management this morning to discuss workers' grievances

Earlier, a crack police squad — the Pretoria-based SAP Task Force — had been rushed to the scene but took no action

The police said in a statement that about 1 000 black miners went underground at 6 15am yesterday and immediately embarked on a strike They then took 20 white mine officials and two Indian miners hostage Five whites and the two Indians managed to escape, the police said

They added that the miners had apparently demanded a salary increase before they would release the hostages

Iscor spokesman Neels Howatt said the miners who had staged "an illegal strike" and the white officials had returned to the surface after negotiations The officials had sustained no injuries and the mine had not laid kidnapping charges, he said

"Management and the NUM will meet (this morning) to discuss the grievances which led to the strike," he said

NUM assistant general secretary Marcel Golding said the miners' action was "spontaneous" and had been prompted by the "manner in which management is conducting its industrial relations"

Golding said industrial relations at the mine had "for a long time" left much to be desired But the union was not aware that any miners had been held against their wishes.

"We are happy that the miners have returned to the surface but we are going to pursue the issues which led to the action," Golding said.

Another union spokesman told our Durban correspondent the dispute arose over the dismissal of three union shop stewards by Durnacol management last week But Howatt said he knew nothing about such dismissals

Howatt also denied any knowledge of a R1 000 wage demand by NUM members

He said the union and management normally sat for annual wage negotiations in July The NUM and Durnacol management had concluded their last wage negotiations last August and were due to hold their next round of talks in July

Outlook for coal positive

215

STAR 26/3/92

GENEVA — The outlook for global trade in coal over the next 20 years is positive although environmental protection measures and increased energy efficiency could slow growth after the year 2000, a United Nations report says.

The report, by the UN Economic Commission for Europe, predicts that global hard coal consumption will grow by an average 1,3 percent a year until the end of the century.

After 2000, however, growth is expected to drop to around 0,8 percent annually.

A reduction in production in Europe, including the former Soviet Union, and growing demand in other regions will sustain a growth rate of around 3,7 percent or 15 million tons until 2000, the ECE says.

European production is forecast to decline by about 200 million tons by 2010, with East Europe and the old Soviet Union accounting for 60 per cent of the fall.— Sapa-Reuter.

Glowing outlook for coal trade

215

B Day 26/3/92

GENEVA — The outlook for global trade in coal over the next 20 years is positive, although environmental protection measures and increased energy efficiency could slow growth after the year 2000, says a UN report.

The report, by the UN Economic Commission for Europe, predicts that global hard coal consumption will grow by an average 1,3% a year until the end of the century.

After 2000, however, growth is expected to drop to about 0,8% annually. Overall coal use is expected to grow from 3,5-billion tons to 4,3-billion tons between 1990 and 2010.

A reduction in production in Europe, including the former Soviet Union, and growing demand elsewhere, will sustain a growth rate of about 3,7% or 15-million tons until 2000, the commission says.

European production is forecast to decline by about 200-million tons by 2010, with East Europe and the old Soviet Union accounting for 60% of the fall.

Between 2000 and 2010, growth in world coal trade is forecast to slow considerably, to about 1,2% a year, the report says. — Sapa-Reuter.

Workers dismissed

Sowetan 27/3/92 (215)

By KENOSI MODISANE and Sapa

ISCOR yesterday fired 800 black miners for holding 15 white officials hostage at Durnacol coal mine near Dannhauser in Natal on Tuesday

The sackings sparked a major row with about 1 000 other workers at the mine threatening to down tools in solidarity with their dismissed colleagues

All the dismissed workers were given until 4pm yesterday to "bring personal mitigating circumstances to management's attention"

In a letter to the National Union of Mineworkers, Iscor said it was gravely concerned with the way the union and its members behaved despite existing negotiated agreements

Said the letter "Despite the mine managements best efforts to ensure labour stability, inter-tribal violence and strikes compounded by Tuesday's criminal and illegal actions and the failure to establish a sound basis for normal employee/employer relationships have led to extensive losses in production, the sabotage of equipment, the holding of hostages and threats to workers' safety

"This left Iscor with no choice but to dismiss the employees involved," it said

National Union of Mineworkers organiser at the plant, Mr Louis Vosloo, yesterday accused the mine management of betraying the workers

He also dismissed allegations that white mine officials had been held hostage by the workers

He said the white miners were then given instructions to stay underground on Tuesday "while management spread the rumour that they were being held hostage"

Vosloo yesterday said police and mine security personnel had surrounded the Number 5 Hostel where the striking workers live

He said he anticipated the police to move in and drive the strikers out of the hostel

Durnacol strikers dismissed

STEPHANE BOTHMA

ISCOR yesterday dismissed 800 day-shift workers at its Durnacol mine in Natal for holding 15 officials hostage underground on Tuesday Police are also investigating charges of kidnapping, extortion and intimidation. B/Day 27/3/92

An Iscor spokesman said the "criminal and illegal" actions by the striking workers resulted in extensive production losses, damage to property and threats to co-workers' safety, and Iscor had no choice but to dismiss those involved.

Iscor had not pressed criminal charges, but Dundee police said they had arrested one miner, who would appear in court today They expected to arrest more on charges of kidnapping, extortion and intimidation

Police said "It seems like only a few workers were the culprits who started the trouble and then forced other workers to participate."

215

Iscor gave employees until late yesterday to bring personal or mitigating circumstances to management's attention as to why the dismissals should not be final.

In a letter to the NUM, Iscor said it was gravely concerned with the way the union and its members had behaved, in spite of negotiated agreements

An Iscor statement said that in spite of management's best efforts, violence and strikes compounded by Tuesday's criminal action had led to losses in production, sabotage of equipment, the holding of hostages and threats to co-workers' safety

The mine, which produced about 3 000 tons of coal a day, had lost three days' production, Iscor said. Losses caused by the sabotage had not yet been calculated.

RBCT may give Sasol an outlet for coal exports

S Times (Buss) 29/3/92 (215)

By IAN ROBINSON

ASPIRANT coal exporter Sasol could be welcomed into the fold of the Richards Bay Coal Terminal (RBCT)

Sasol is considering the export of approximately 3 million tons of coal a year from its Syferfontein mine from 1995

Sasol clashed with the RBCT when it took the lead in promoting the construction of a second coal terminal — the "Red" Terminal — at Richards Bay

Sasol is one of a group of potential coal exporters who are not members of the RBCT — or who have only small allocations — who are seeking additional export capacity and have formed the Coal Export Joint Venture to investigate the second terminal together with Portnet.

Fears

It is understood that the terminal would have an annual capacity of 8-10 million tons and could cost up to R700-million.

A second terminal has been strongly opposed by the big three coal exporters and major RBCT shareholders — Amcoal, Randcoal and Trans Natal — who fear that such a terminal would lead to excessive coal exports and depress prices.

Furthermore they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the line

There is also concern that a second coal terminal used by small exporters could damage the economics of the port which was designed for bulk exports and minimum parcel sizes

Originally it was proposed that a second coal terminal would be sited at Durban

However, according to industry sources, Sasol's exports may be accommodated through expanding the RBCT's capacity and Sasol would no longer need access to a second terminal

Present annual capacity at RBCT is 53 million tons and it may be possible to expand this capacity to 56 million tons without major capital expenditure.

The admission of Sasol to the RBCT would depend on whether it was able to buy out an existing shareholder's share or a share in the terminal's future expansion It would also be subject to approval by the majority of the existing shareholders

Any one of the three shareholders could block a proposal to admit a newcomer

A spokesman at Sasol confirmed that the company was investigating three possibilities to secure capacity for coal exports which are existing facilities, and/or the expansion of existing facilities and/or the creation of new facilities In all cases Sasol is involved with other parties

A Portnet spokesman said that a group was currently involved in a feasibility study concerning the export of coal and other mining products through Richards Bay

This group includes Portnet and Iscor but the spokesman declined to name the other parties

RBCT may allow Sasol in

S Times (Buss) 29/3/92

215

By IAN ROBINSON

REBEL coal exporter Sasol could be welcomed into the fold of the Richards Bay Coal Terminal (RBCT)

Sasol clashed with the RBCT when it took the lead in promoting the construction of a second coal terminal — the Red terminal — at Richards Bay.

Sasol is one of a group of aspirant coal exporters which are not members of the RBCT — or who have only small allocations — who are seeking additional export capacity

A Sasol representative is chairman of the Coal Export Joint Venture, which, with Portnet, is investigating the second terminal

It is understood that the terminal would have an annual capacity of 8-10 million tons and would cost R500-600-million

A second terminal has been strongly opposed by the larger coal exporters — Amcoal, Randcoal and Trans Natal — which fear that such a terminal would lead to excessive coal exports and depress prices

Furthermore, they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the line

Sasol is considering the export of approximately three million tons a year of coal from its Syferfontein mine from 1995, and at present has no access to export facilities at Richards Bay

A speaker at the 1992 Coal Indaba at Mintek in Johannesburg during the week suggested that Sasol's exports might be accommodated through expanding the RBCT's capacity, and Sasol would no longer need access to a second terminal

Present annual capacity at the RBCT is 53-million tons, and it may be possible to expand this capacity to 56-million tons without major capital expenditure.

Mining at old Natal colliery ends today

(215)

B/Day 31/3/92

WILLIAM GILFILLAN

MINING operations at one of Natal's oldest collieries, Trans-Natal's Kilbarchan, ceased today The mine's economic reserves had been finally depleted, senior manager Johan Kriek said.

Most of the mine's 720 employees would be retrenched, he added

The mine, one of the foundation collieries of the Trans-Natal group, recorded a loss of R7m in the year to June "By that time the writing was on the wall, as we were running out of reserves," Kriek said

When losses continued in the first two months of this financial year, management told workers that, unless ways could be found to make the mine profitable, it would be closed down. The mine then operated at "more or less" break even for the next few months, but made a loss again in the first two months of this calendar year, he said.

Negotiations with unions regarding the retrenching of the workforce had begun in December. Efforts were being made to place retrenched workers in other jobs, but it would not be possible to place most of them elsewhere, Kriek said.

Kilbarchan was an "Eskom tied" colliery until the Ingagane power station was mothballed at the end of 1988, after which it supplied coal to the inland and export markets

"We shall continue to operate the washing plant for another year, having sourced coal from an independent supplier to maintain our existing customer base," said Kriek

This would provide jobs for about 80 people

But the reserves from this supplier would last for another year

Customers would be supplied by upping production at Trans-Natal's Savmore colliery

Another 50 people would be employed until the final closure

That would be when rehabilitation of the lease area — expected to cost R7m over three years — had been completed

Iscor sacks 600 more workers

215

STEPHANE BOTHMA

ISCOR yesterday dismissed 600 Durnacol miners who refused to work — bringing to 1 400 the number fired since last Tuesday.

The Durnacol mine management also said it would not allow night shift workers to go underground until the NUM provided an undertaking that workers would comply with their duties.

In dismissal notices, management said strikers were acting contrary to service obligations, instructions to work and to a court order directing them to act within the Labour Relations Act.

The 600 employees had been dismissed after they refused to report for the morning shift or refused to work once underground, an Iscor spokesman said.

The NUM had been asked to give a written undertaking night shift workers would comply fully with contractual duties before being allowed underground. "Failure to do so will be a repudiation of their obligations and will be accepted as such and their services terminated accordingly," the spokesman said. B/Day

The NUM had until yesterday afternoon to comply. 31/3/92

The 600 workers dismissed yesterday had until late last night to present personal and mitigating circumstances to management.

Sapa reports mine management as saying yesterday workers had refused to work until pay demands were met, but NUM officials said they went on strike to demand the reinstatement of 800 employees dismissed last week.

Frigate standoff takes a new turn

EDWARD WEST (215)

AHEAD of its AGM today, coal mining and plant hire group Frigate has announced that the entire share capital of Wakefield Investments, with its 40% stake in Frigate, has been sold to a consortium led by John Leach for R100

The announcement said Leach was a mineralogist well known in the coal industry BDay 31/3/92

The move follows last week's announcement that the application by minority shareholder Eugene Kotze for the liquidation of Frigate would be strenuously opposed. Kotze holds 500 shares or 0,002% of Frigate's issued share capital

Today's announcement said the consortium had agreed to offer the remaining shareholders in Frigate 10c a share. If more than 90% of these shareholders accepted the offer, a compulsory acquisition of the remaining shares would follow and Frigate would be delisted, it said Frigate traded at 5c a share yesterday.

Wakefield, as the major creditor, planned to recapitalise Frigate subsidiary Side Minerals on terms and conditions recommended by Frigate's auditors KMPG Aiken & Peat to remove any possible doubt as to Frigate's solvency, the announcement said.

Almost all Frigate's present operations were conducted by Side Minerals, which up to now had been mostly funded by Wakefield, the announcement said.

It said Frigate's shareholding in Side Minerals would be substantially diluted by Side Minerals' recapitalisation and Frigate would lose control of Side Minerals.

Frigate's board of directors would be reconstituted with the change in control, the announcement said.

Strikers quit shaft after interdict

More than 300 black miners holed up since Friday at Iscor's Durnacol Colliery, near Dundee in Natal, returned to the surface on Saturday night — more than 13 hours after a wildcat strike for higher wages and only after a successful interdict was brought against them.

Mine management successfully applied for an urgent Supreme Court interdict in Maritzburg to allow them to evict the protesters from the shaft they had occupied.

The interdict was granted on Saturday afternoon.

Management then sent a letter down to the workers, informing them of the result of the court application.

The interdict said the workers had to abide by all agreements between their employer and employee representatives and that their action had to comply with the Industrial Relations Act regarding strikes.

The strikers then began leaving the shaft on Saturday afternoon and were all out by early evening. They returned to their single quarters.

A management team then toured the shaft to assess whether any damage had been caused.

By late Saturday, the mine's legal representatives were still in consultations with management to decide on a course of action following the illegal sit-in.

However, production has not resumed and a skeleton staff of white miners is maintaining the shafts until production can resume — Sapa

Star 30/3/84

215

Iscor fires 580 more strikers at Durnacol

STAR 31/3/92

2.15

DURBAN — Iscor yesterday dismissed another 580 striking workers at the Durban Navigation Colliery (Durnacol) in northern Natal, said mine manager Doug Taylor.

This brings the number of Durnacol workers sacked since last Tuesday for joining illegal strikes to 1 380.

Mr Taylor said 180 of the morning shift's 580 workers reported for work yesterday, but downed tools after going underground. The remaining 400 failed to report for work.

The 580 workers were told they had been dismissed. They were given until 10 pm last night to supply mitigating circumstances for their actions.

Mr Taylor said the workers were fired because their strike was illegal and contrary to a Supreme Court interdict issued on Saturday which ordered workers to comply with their contracts and act within the provisions of the Labour Relations Act.

Mr Taylor said the 180 workers who went underground refused to work until their pay demands were met. He did not give details of the demands.

White and Indian workers were withdrawn from underground yesterday and the strikers were told that their action was illegal. They were later told they had been dimissed and all were back on the surface by yesterday afternoon.

National Union of Mineworkers northern Natal regional organiser Moses Gladile said the workers began striking underground yesterday morning to demand the reinstatement of the 800 employees dismissed last week, not for higher wages.

Mr Gladile said that the union telephoned workers underground yesterday, telling them of the court interdict and urging them to end their strike.

"They went to their working places, but their supervisors were not there so they could not resume their duties," he said. "We then telephoned management, but they said they were not prepared to talk to us."

Mr Taylor said workers at the mine were told of the court interdict on Sunday through the mine's public address system, pamphlets and notices.

"The fact that people at 9.30 am said they were going to work is unacceptable," Mr Taylor added.

Mr Gladile said the NUM would put the dismissals last week and yesterday in the hands of its lawyers.

Yesterday's strike followed a week of industrial action at the mine, starting on Tuesday last week when several hundred workers downed tools underground.

Their demands were for the reinstatement of two dimissed union officials and the dismissal of managers accused of harassing workers, and also involved wages, retrenchments and alleged racial discrimination, Mr Gladile said.

The miners are alleged to have held 15 white mine officials hostage underground on Tuesday. Mr Gladile said yesterday, however, that the white miners were simply afraid to pass the large group.

Some 800 hundred workers were dismissed on Thursday for sabotaging mine property and holding co-workers hostage.

On Friday more than 300 workers staged another underground strike, demanding the reinstatement of their colleagues. They surfaced on Saturday but refused to work until their demands were met.

The same day, Iscor obtained an urgent interdict restraining workers from disrupting mine operations and ordering them to comply with their contracts and the Labour Relations Act.

Iscor spokesman Neels Howatt yesterday said the mine had lost a daily production of 4 000 tons of coal since last Tuesday. — Sapa.

BUSINESS

STAR 31/3/92

Genmin to close colliery

215

Mining operations at Trans-Natal's Kilbarchan colliery, near Newcastle, will cease today since the mine's economically viable reserves have been depleted, Genmin announced yesterday.

The mining company said in a statement that most of the mine's 722 employees would be retrenched as a result of the decision to curtail mining operations.

The plant at the mine will be kept in operation with "buy in" coal for the benefit of some local customers and will provide employment for approximately 80 people.

Approximately 50 people will also be employed at the mine until final closure, when rehabilitation of the lease area has been completed.

The rehabilitation programme will take three years to complete and cost some R7,2 million.

In September 1991 employees and customers of Kilbarchan were informed that mining operations would cease if the colliery continued to operate at a loss

At that time management approached employees and requested them to come forward with ideas on how to keep the mine in production for as long as possible.

Trans-Natal's managing director, Mr Mike Salamon, said all the employees deserve credit for their admirable effort in keeping the mine in production under adverse economic conditions.

Negotiations with employees and employee representative organisations regarding retrenchment packages have been concluded.— Sapa.

COMPANIES

Showdown averted at Frigate

WILLIAM GILFILLAN

A SHOWDOWN between the Frigate Group and its minority shareholders was averted at yesterday's AGM when lawyers representing the groups reached a backroom agreement two hours into the meeting

BDay 1/4/92

But the application for the liquidation of Frigate last week by minority shareholder Eugene Kotze, a Scharrighuisen employee, appeared to be a red herring used by opencast contract mining group Scharrighuisen Holdings in its efforts to settle a longstanding dispute with Frigate

As about 20% of Scharigghuisen's business relates to the contract mining of Frigate-owned coal reserves, its liquidation would not have been in Scharrighuisen's interest, the attorney representing Scharrighuisen, Selwyn Cohen, admitted.

Also, Cohen had received an assurance from Frigate's attorney, Ivan Levy, that the group would undergo "sufficient recapitalisation to remove all doubts relating to its solvency"

215

The recapitalisation follows the deal announced yesterday where a consortium led by mineralogist John Beach acquired the entire share capital of Wakefield Investments from a Finansbank nominee company Wakefield holds 40% of Frigate

Frigate has taken a battering in the past two years since the group moved into ore beneficiation and out of contract mining

Frigate recorded losses of R16m for the year to December 1990 and further losses of R17m were recorded in the six months to end-June 1991 It also took a R8m loss on the disposal to Scharrighuisen and the group is thought to have continued making losses in the second half of last year

Large-scale dismissals at Durnacol

B'Day 1/4/92 215

STEPHANE BOTHMA

ALMOST the entire black workforce at Durnacol mine — all NUM members who in the past week staged several illegal strikes — had been dismissed, mine owner Iscor said yesterday

Durnacol produced its first coal in seven days yesterday afternoon when white miners went underground to resume production which had been halted by a week of industrial action by NUM members, an Iscor spokesman said.

The latest mass dismissal of 550 workers took place yesterday after Monday's night shift failed to report for work, bringing the total dismissals since last Tuesday to 1 950.

On Thursday 800 miners were dismissed and another 600 on Monday.

The spate of illegal strikes at the mine has resulted in a loss of production of up to 4 000 tons of coal a day, Iscor said, adding that white miners would handle production for now.

Durnacol, near Danhauser in Natal, was a highly mechanised mine and could maintain a certain level of production without the usual complement of workers, he said.

Mine management this week demanded a written undertaking from the NUM that Monday's night shift would fulfill their duties, but Iscor's demand was ignored by the union, the spokesman said. No workers arrived for the shift.

There was no violence at the mine and the dismissals took place "quite amicably"

On the weekend, mine management obtained an urgent court order against employees directing them to act in terms of the Labour Relations Act following an underground sit-in by about 300 workers.

The court order followed a week of industrial action when workers allegedly held officials hostage underground and sabotaged equipment.

Police were investigating charges of kidnapping, intimidation and extortion against a number of dismissed miners.

Tech students protest

Sowetan 1/4/92

By ALINAH DUBE

STUDENTS at the Technikon Northern Transvaal in Soshanguve yesterday protested against the use of campus residences by teachers who will be working at the marking centre during Easter holidays.

A spokesman for the students representative council said students agreed to return to lectures after discussions were held with the management.

He said there was dissatisfaction about the use of the hostel by teachers who are due to start marking Standard 10 examination papers of the Department of Education and Training's private candidates.

Most students, he said, used the facilities for studying over short holidays as they would not.

Iscor sacks more black miners

Sowetan 1/4/92

215

ISCOR fired about 600 more striking workers at its Durnacol mine near Dannhauser in northern Natal on Monday night.

This brings the total number of dismissals since last Tuesday to 1 950 - almost the entire black labour force.

Iscor spokesman Mr Earnest Webstock said yesterday the majority of Monday's night shift workers did not report for work and were dismissed along with 580 morning shift workers.

The strikers were fired for failing to act in terms of their contractual obligations and for striking in contravention of a Supreme Court interdict ordering them to adhere to their contracts and the provisions of the Labour Relations Act.

Some were fired for "various criminal acts" Webstock said.

These included the alleged underground hostage-taking of 15 white mine officials by striking black miners in the first incident of labour unrest last Tuesday

Production was halted last Tuesday when workers downed tools over demands for the reinstatement of dismissed union officials, the dismissal of managers accused of harassing workers and for higher wages

White and Indian miners went underground yesterday and worked the mechanised section of the mine, bringing to the surface the first coal mined since last Tuesday, Webstock said.

Following the dismissals there were only about 500 black workers still in the mine's employ yesterday, a mine spokesman said

He said management was currently looking into the issue of taking on new employees Both Webstock and the mine spokesman said there had been no recent contact with the National Union of Mineworkers on the dismissals

Union officials said yesterday they would comment later on the developments at the mine - *Sapa*

Law group's new 'no win

Sowetan 1/4/92

THE Association of Law Societies (ALS) has introduced a new tariff system for litigation on a "no win, no fee" basis.

The system is intended to bring down the current high costs and to make the courts more accessible to everyone

Damages

In terms of this system, which will apply only to claims for damages, the client would pay his attorneys' fees only if the case was successful

In such cases, the attorneys would be able to re-

r sacks more k miners

owetan 1/4/92

(215)

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Union officials said yesterday they would comment later on the developments at the mine. - *Sapa*

Cosas continues with Katlehong Council sit-in

Sowetan 1/4/92

MEMBERS of the Congress of South African Students yesterday continued a sit-in at the Katlehong Council to demand the return of 19 white teachers who have been withdrawn from three schools.

The council said yesterday it would not evict the Cosas members.

But town clerk Mr Fanie Mare said the pupils had abused the council's generosity by occupying the chamber after they were allowed to hold a meeting with Mr Theo Buys of the Department of Education and Training

He said the council would try to negotiate with the protesters and persuade them to leave the premises

The sit-in by about 50 Cosas members started on Monday after the meeting with the DET.

Mare said the number of protesters had increased after a television broadcast on Monday night on the sit-in

Law group's new 'no win, no fee' system

Sowetan 1/4/92

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Damages

In terms of this system, which will apply only to claims for damages, the client would pay his attorneys' fees only if the case was successful

In such cases, the attorneys would be able to recover an amount in accordance with a tariff which would be higher than the normal applicable tariff, the ALS said.

If an advocate was to be engaged in a matter where a special fee arrangement applied, he would have to obtain the permission of the Bar Council before accepting the brief, the ALS added - *Sowetan Correspondent*

Gold Fields Coal to push exports

B/Day 2/4/92

MATTHEW CURTIN (215)

GOLD Fields Coal will strive to boost coal exports in 1992, says chairman John Hopwood.

Hopwood said yesterday the company hoped to increase export sales by using its 2,3% entitlement in the Richards Bay Coal Terminal fully, and by selling to other producers using the export terminal the excess coal it wanted to export.

SA producers exported 45,3-million tons of coal through the terminal in 1991, slightly lower than 1990 levels.

He said Gold Fields Coal did not meet its full entitlement in 1991 because of shipping delays and its limited flexibility as a small exporter.

Hopwood said although the international market was tight and prices were under pressure, the company benefited from customers' preference for spreading their purchases of SA coal around.

He noted that although the terminal had a nominal expanded capacity of 53-million tons, a shortage of Spoornet rolling stock meant the practical capacity was lower.

Hopwood added that the company's profit in 1992 would depend on increasing export sales and, given higher planned capital expenditure, "a maintained dividend can at best be hoped for".

In 1991, the company mined 5,2-million tons of coal, compared with 5-million tons in 1990, and sold 2,9-million tons (3-million tons).

Better coal prices meant turnover rose to R156m from R145m. After tax profit was slightly higher at R28m, and the total dividend rose to 100c from 90c a share.

Holland ready to take our coal

The Argus Correspondent (215) ARG 2/4/92

THE HAGUE — Holland looks set to resume regular imports of South African coal after a 10-year ban — a move staunchly opposed by the ANC and Dutch anti-apartheid organisations

Regular coal imports will depend on whether South African coal meets the technical needs of Dutch electricity plants

"Test cargoes" will be shipped to Holland.

Although the resumption would be in line with the recent decision by the European Community to lift sanctions on coal and steel from South Africa, the ANC and Dutch anti-apartheid organisations have said the move would be premature.

● Thailand and South Africa are expected to sign an agreement to open air services between the two countries soon, a Thai official said in Bangkok. Thailand is expected to allow SAA to fly once a week to Bangkok, Hong Kong and Taipei and return on the same route to Johannesburg

Workers were bused away from the mine after they were dismissed.

2 200 miners fired

Sowetan 2/4/92

Sowetan Correspondent

WHITE-COLLAR workers of all races have left their desks to man essential underground operations at Durnacol mine near Dannhauser following the dismissal of 2 200 miners.

Trouble at the mine started last Tuesday when 800 black miners held a number of white and Indian colleagues hostage underground and threatened to blow up the mine over a wage dispute

A total of 700 miners were fired and, just when it seemed that the mine was returning to normal on Friday afternoon, another 330 who went underground decided not to work

The miners refused to go back to work despite a Supreme Court order on Saturday - and were fired, bringing the number of dismissals to 1 500 and last night another 700 were fired.

Yesterday morning 110 men, mainly office staff at the mine took the first shift, they were followed by another 110 for the afternoon session and last night 90 went underground.

Mine manager Mr Douglas Taylor said that all the men had volunteered to go underground and work as miners in order for operations to continue while new staff are to be recruited.

"The men volunteered to do their bit after the dismissal of the entire underground black staff who violated a Supreme Court order and refused to return to work," said Taylor

He said that while the white collar staff would not be able to produce enough coal to meet schedules, it did keep the mine operational.

Veteran miner Mr George Mitchell (59), with 42 years mining experience, led the white collar workers for their stints last night.

Included in the late night shift was Mr Brian Fordyce, a highly qualified engineer who holds a Bachelor of Science and is a Master of Business Administration.

With him were accountants, clerks, bookkeepers, storemen, pay masters, managers and other administrative staff

While the white collar workers were busy at work 250 metres underground, most of the 2200 fired workers were collecting their wages and were being bused out of the mine property

More go for Model C

LESS than two percent of Transvaal provincial schools have refused to opt to switch to the model C system Sowetan 2/4/92

According to the Transvaal Education Department of the 1 101 schools which fall under their jurisdiction, 1 073 will become model C schools on August 1

Executive director of the TED, Dr Ken Paine, said when the announcement was made about the model C option, TED schools gave urgent attention to their particular situations

"I believe that each community has decided in a responsible way about their future," Paine said

Only - 28 schools - 1,9 percent of schools in the Transvaal decided to remain State schools and their rights in all respects will be respected, he said

Of the 28 schools which have decided to remain State schools, two are secondry schools, 11 are primary schools and eight are special schools - *Sowetan Correspondent*

Iscor to replace dismissed miners

B/Day 2/4/92

DURBAN — Iscor's management was yesterday considering ways of replacing the 1 950 workers dismissed from its Durnacol mine in northern Natal, while white and Indian miners entered their second day of work without a labour force.

Almost all black employees on the mine were fired for striking illegally.

Iscor spokesman Neels Howatt said management was looking into ways of replacing the fired workers.

Meanwhile, the NUM said in a statement it was prepared to meet management to "find a speedy solution to Durnacol's problems".

The union alleged the dismissals were "a clear indication of Iscor's anti-union policy which we condemn as utterly counter productive. 215

"It is grossly unfair for Iscor management to dismiss the entire black labour force in this manner without considering exploration of negotiating with the NUM."

Our correspondent reports from Maritzburg that production at the mine is less than 20%.

An Iscor spokesman said it was hoped to build production up to about 40% in the next 10 days.

A police spokesman at Dundee said nine men had been released on bail after appearing in court in connection with charges of kidnapping, blackmail and intimidation. The charges arose after white and Indian mineworkers were allegedly held hostage underground last Tuesday.

STAR 3/4/92 215

Strike hurts Durnacol's output

Production at the troubled Durnacol colliery in northern Natal should reach 40 percent of its pre-strike level by the end of the week, Iscor said yesterday.

Spokesman Neels Howatt said production had been seriously affected by the recent dismissal of 1 950 workers and that the mine was being kept open by a workforce of 300

The predominantly white workforce had been split into three shifts, said Mr Howatt, and management was in the process of replacing staff.

He said no final decision had been made about allowing dismissed staff to reapply for jobs

He added that most of the dismissed staff were expected to have left the premises by late yesterday. — Own Correspondent.

By IAN ROBINSON

Small coal mines look to Maputo for exports

S1 Times (BUSS) 5/4/92 = (215)

MAPUTO could become the major outlet for small South African coal exporters.

SA companies are competing for contracts to rehabilitate and operate coal export facilities in Maputo The port offers potential savings on rail rates because it is closer than Durban to Eastern Transvaal mines

Rennies and Semtec (a partnership between SWF Technology and EMS Transvaal) have had discussions with Caminhos de Ferro de Mocambique (CFM) — Mozambique Railways — about upgrading the Matola coal terminal

Rennies' Mozambique subsidiary Manica Trading has been talking to CFM for 15 months about taking over the operation of the Matola Appliance for bulk (unsized) coal

Rennies presented a brief report to CFM last year and brought its officials to Durban to show them the Bluff mechanical appliance (BMA) terminal it has operated since September 1988

BMA has an annual throughput capacity of nearly 2-million tons of coal

Rennies spent money on repairs to Matola last year In January it submitted a proposal to CFM for a short-term rescue plan for the port and a long-term venture which would increase annual throughput capacity to 2-million tons

Semtec — engineers and project managers — is also talking to CFM and independent coal exporters It has prepared a feasibility study estimating operating and capital costs for the expansion of the terminal capacity to 3,5-million tons It hopes to submit a proposal to CFM

Coal exports through Matola fell sharply in 1990 and 1991 to 400 000 and 140 000 tons respectively from a record 800 000 in 1989

War

Coal was also exported through other sections of Maputo port Total SA coal exports were 1,3-million tons, of which Minesa supplied about a million in 1989

The decline was caused by the civil war and a 60% increase in CFM rail and port tariffs — subsequently reduced to 40%

The Matola Exporters Committee (MEC) tried to negotiate a better deal with CFM about a month ago CFM suggested tying rates to contract tonnages, but it is difficult for the MEC to guarantee them while unrest continues and the port operates efficiently

Small quantities of SA coal have been exported through Maputo since the late 1970s MEC was formed in the early 1980s The original committee included small producers Minesa, Concor, Bordex and Messina

It was joined by Trans-Natal after it acquired Emaswati colliery in Swaziland Minesa pioneered the export of coal through Maputo and has remained the dominant exporter

The Matola terminal was built for the export of iron ore from Swaziland In the 1980s the MEC did a deal with the Industrial Development Corporation (IDC) and CFM for rehabilitation of the terminal The IDC provided funds to CFM through the MEC which commissioned South African company Technical Multi Servicing to do the work The debt was repaid through a levy on each ton of coal exported

In the first half of the 1980s exports were restricted mainly by the port capacity But in the second half, unreliability of the rail line became the major problem.

The potential volume of SA coal exports through Maputo is limited by the shallowness of the harbour which prevents the entry of large Cape-sized vessels

White collars on black seam

Star 6/4/92

White collar workers are working underground to keep up production, reports PRAKASH NAIDOO.

CHRIS de la Ray, Durnacol coal mine's personnel officer, normally works behind a desk, dressed in a collar and tie

But on Friday he donned an overall and worked an eight-hour shift as a transport operator underground

"I've never worked underground before, but I think it's important that we keep the mine operational," he said

Mr de la Rey is just one of the more than 200 "white collar workers" at the troubled northern Natal mine who, in the past week, have swopped their normal administrative duties behind a desk for the more rugged work underground

A fortnight of industrial action at the mine has brought production to a standstill and the scene now seems set for a stand off between the mine management and the powerful National Union of Mineworkers

At least 2 000 workers have been dismissed from the mine since an alleged hostage drama and several sit ins underground and the mine management was granted a court order last week declaring the action illegal

Union officials have vowed to seek a similar order to have the workers reinstated

Management at Durnacol are standing firm on their decision to fire the workers after two weeks of disruptions underground brought production to a virtual standstill

The once bustling tiny mining village and hostel at number five shaft at Durnacol is now a virtual ghost village since the dismissed workers left

The chief accountant at Durnacol, George Filen, said a new employment strategy was being formulated, but even when this was in place and rehiring started, it would be a long time before the normal hub returned to number five

"The decision to fire the workers was not an easy one, it was a last resort," said Mr Filen

"It will take a while before work at the shaft is back to normal, because even after we employ new workers, the learning phase is quite lengthy"

According to the management, the strike action taken by the workers was in contravention of an agreement signed with senior union officials last year, which postponed any negotiation about wage increases until July this year

However, the regional organiser for NUM in Newcastle, Moses Gladile, said the action taken by workers was related to a list of grievances submitted to management a year ago

Mr Gladile said the list contained 42 grievances, among which were issues relating to racial discrimination, unfair labour practices, annual bonuses and unfair dismissals

He also challenged the assertion that 15 miners were taken hostage underground on the first day of the strike two weeks ago and said statements taken from the workers underground revealed that no one was held against his will.

This was supported by another union offical, Clement Zulu, who said that when he went underground at the time of the drama, at no time did the white and Indian supervisors indicate they were hostages

However, during a visit to the mine on Friday, the Tribune spoke to one of the mine workers who was underground at the time of the alleged siege, who described the incident as one of the most harrowing he had encountered

"I have served in the British navy for 12 years and been shot at on the odd occassion, but I have never come this close to someone threatening to kill me," said Garth Holmes, who is an underground fitter

"I wouldn't want to go through that again and I would never wish it on my worst enemy," he said

Nine shop stewards have been arrested by police in connection with the incident and have been released on R1 000 bail pending the outcome of investigations □

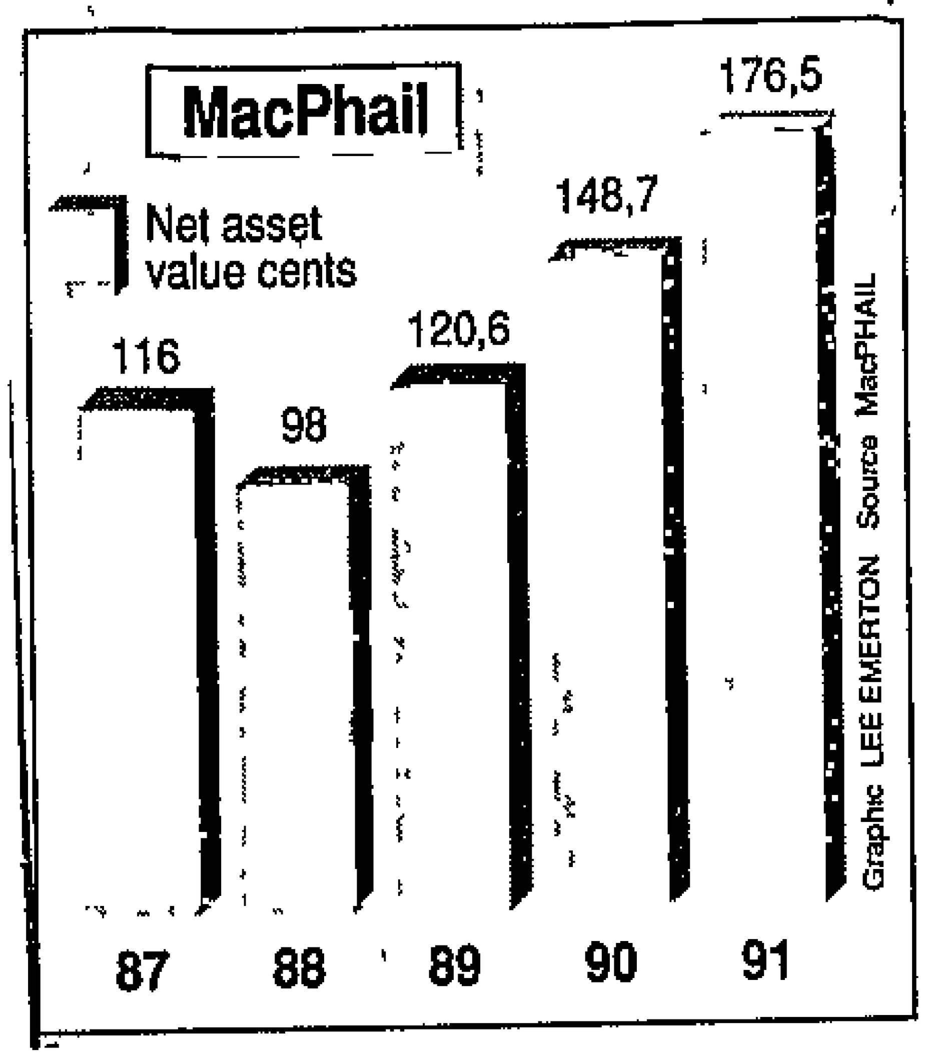
Difficult year forecast for MacPhail Holdings

B/Day 7/4/92 (215)

MATTHEW CURTIN

INDUSTRIAL and domestic coal distributor MacPhail Holdings faced another difficult year with no prospect of an increase in forecast coal consumption in 1992, said CE Sidney Weintroub in his annual review.

Weintroub said the cutbacks in the ferrochrome industry and the depressed conditions in the textile sector would have "a severe impact on coal usage"



Much of SA's ferrochrome capacity was lying idle because of the trough in the stainless steel market worldwide

He added yesterday that the coming winter was traditionally a period of higher coal consumption, with industry demand likely to increase 15% from summer levels Compared with a short and mild winter in 1991, domestic consumption of coal was expected to jump sharply in coming months

Weintroub said coal sales were still predominantly in the PWV area, but MacPhail had strengthened its position in the Natal and Cape markets. He was confident the group would maintain its 1991 earnings — worth 52,7c and up from 50,5c a share the year before — in 1992

MacPhail, which is 63% owned by the W&A Investment Corporation, has 16 coal depots and is the largest marketer and distributor of coal in SA.

Durnacol mine to recruit new staff from next week

215

Sowetan 9/4/92

RECRUITMENT of a new labour force will start early next week at the Durnacol Colliery in northern Natal

Mine manager Mr Douglas Taylor said yesterday that a skeleton crew of white and Indian workers had been producing coal at 30 percent of the normal quota and would maintain this until the new labour force had been recruited and trained

Dismissed

The total black underground labour force of about 2 000 workers was dismissed late last month after three illegal strikes on the mine.

In the first strike 15 white and Indian workers were held underground for 13 hours against their will while the strikers demanded a wage increase of R1 000. - *Sapa*

Rockbursts still the major enemy

B/Day 9/4/92

215

BILLY PADDOCK

CAPE TOWN — Rockbursts and rock falls on gold and coal mines increased by 4% last year despite special "high priority" being given to reduce these accidents, the Mining Engineer Jan Raath said yesterday

In the annual report tabled in Parliament yesterday, Raath said rock falls had accounted for 54% of all fatalities in mines during 1990. He had shown to the Chamber of Mines that most of the fatalities occurred at the stope face

The total deaths of miners last year amounted to 604 men with gold mines accounting for the bulk with 461 people dying in accidents Miners injured during the year amounted to 9 103 as compared with 9 858 for the previous year.

He also reported a drastic reduction of 35 623 workers solely as a result of rationalisation in gold mines "resulting from the persistently low gold price" Labour figures for mines were 679 547 (719 170) with gold mines employing 426 830, coal mines accounting for 82 790 and other mines employing 169 927.

Raath reported that strict control was maintained throughout the year over air quality as well as at plants at asbestos mines.

Our political staff reports SA mineral sales rose a meagre 3,5% to R39,3bn as demand on the world market dropped last year, the 1991 annual report of the Department of Mineral and Energy Affairs has shown

"The stagnation in earnings can be attributed to the continued economic recession world-wide and the war in the Persian Gulf in early 1991," says the report, also tabled in Parliament yesterday

Higher sales in spite of lower export volumes and prices were attributed to an improvement in domestic sales and the weakening of the rand against the dollar

Export revenue increased by only 2,2% to R30,3bn and accounted for 77,1% of the total revenue.

Commodities which had increased export volumes were the platinum-group metals, titanium minerals and rock phosphate.

Revenue from the domestic market rose by 8% to R9bn, thanks to the increased local demand for diamonds, chrome and iron ore, titanium minerals and uranium.

"Owing to the combined effect of a fall in the real price of gold and escalating working costs, gold mining was particularly hard hit. Mining activities were curtailed in many instances and thousands of workers had to be retrenched.

"A number of small gold mines were forced to cease operations altogether . . ."

Total sales of gold amounted to R18,9bn and output during the year was 597,7 tons, a drop of 0,9%.

Coal was the biggest foreign exchange earner after gold, with 48,5-million tons valued at R4,2bn being shipped to foreign consumers — an increase in value of 5,45% over 1990 but a 2,1% decrease in volume Local sales decreased by 3% to 130,6-million tons.

SA remained the world leader in the vanadium market with exports of 19,5 kilotons but this represented a decrease of 10,5% over 1990.

BIDay 10/4/92

Durnacol workers (4)

NONE of the almost 2 000 workers who were recently dismissed from the Durnacol coal mine in Northern Natal will be re-employed. Mine spokesman Neels Howard said they would start recruiting a new labour force in the next day or two. In the past month 1 950 miners were fired following three illegal strikes at the mine. Howard said the mine was producing coal at about 25% of the normal quota and hoped to be back in full swing soon (215)

FM 10|4|92 (215)

GOLD FIELDS COAL

Export drive

FM 10|4|92 (215)

Activities: *Coal mining for sale on domestic and export markets.*
Control: *Gold Fields of SA 61%, Vogels 14%*
Chairman and MD: *J G Hopwood.*
Capital structure: *16,8m ords Market capitalisation: R134m*
Share market: *Price. 800c. Yields· 12,5% on dividend; 19,4% on earnings, p e ratio, 5,1; cover, 1,6 12-month high, 960c, low, 750c. Trading volume last quarter, 96 000 shares*

Year to Dec 31	'88	'89	'90	'91
Coal sales (Mt)	8,4	8,5	8,2	7,6
Turnover (Rm)	198	232	259	271
Taxed profit (Rm)	20,7	21,2	27,2	27,9
Earnings (c)	80	96	120	166
Dividends (c)	80	95	90	100

G F Coal is in a tricky position it needs to expand exports but its ability to do so is constrained by its minor status in Richards Bay Coal Terminal (RBCT). Without higher exports this year and another good operating performance, chairman John Hopwood indicates G F Coal will not be able to maintain its dividend

He is looking at a number of ways to lift export sales. The priority is to make sure G F Coal uses in full its 2,3% entitlement in RBCT capacity — which it didn't last year Shipping delays and problems with stockpiles limited sales on its own account The bulk of the 1 Mt coal it was entitled to export was low-ash coal sold through Transvaal Coal Owners' Association contracts

RBCT is budgeting for about 46 Mt this year, of which G F Coal is entitled to 1,06 Mt. It will push this up slightly through sales to other RBCT members like Shell which do not have production capacity to meet their entitlements and have to buy in coal. Hopwood also hopes to pick up extra business from customers who want to diversify among SA suppliers.

In the long term, one way to bump up exports would be to take part in the proposed competitive "red" terminal.

Hopwood says G F Coal is not involved in discussions about development of this new terminal but it appears controlling shareholder GFSA is G F Coal could wind up in the middle of the fight brewing over this terminal, which RBCT would like to see shelved

Major exporters are worried about too much coal being pushed on to world markets, bringing a return of the ruinous price-cutting that raged among SA companies in the late Eighties.

Possible major participant in the new terminal — dubbed red by RBCT ex-chairman Graham Boustred because the proposed site was marked in this colour on the first plans he managed to obtain for it — is Sasol

Sasol wants to export 3 Mt/year, which would provide a solid base for the terminal, but has also applied for membership of RBCT. Making Sasol part of the RBCT "establishment" might sink the red terminal but that, in turn, may not be to the benefit of G F Coal

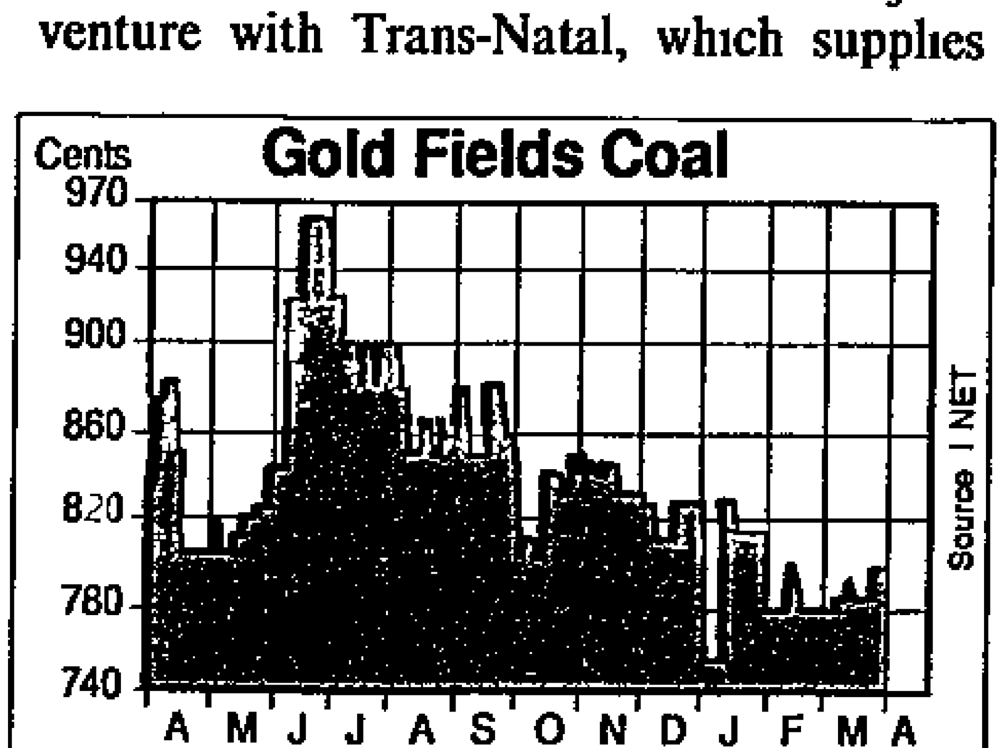
Not only would it lose out on an alternative export facility, but RBCT will be giving up to a newcomer export capacity for which existing smaller members such as JCI, G F Coal and Kangra are crying out Tricky, but perhaps RBCT will come up with some scheme which will compensate existing members

RBCT last year completed its expansion from capacity of 44 Mt to 53 Mt a year but is not expected to export 53 Mt before 1995

Dollar coal export prices have dropped slightly for 1992 delivery while the rand continues to hold up a lot better against the dollar than many exporters had expected, which further squeezes export margins The domestic market remains flat

G F Coal has 50% of the Matla joint venture with Trans-Natal, which supplies Eskom's Matla power station G F Coal's profit share rose to R22,4m from R20,5m, but could have been better. Even modern, efficient power stations like Matla are feeling the pinch from domestic recession, with sales down 9% at 4,7 Mt (5,2 Mt). The partners are protected to some extent as the contract specifies a return on capital invested despite fluctuations in offtake.

The stock market reflects the flat earnings and dividend outlook. The share is a lot closer to the 12-month low than larger competitors Amcoal and Randcoal *Brendan Ryan*



Durnacol recruiting

D/Mail 10/4-15/4/92

ISCOR'S Durnacol mine in Northern Natal will start to recruit a new workforce early next week. (215)

In the past two weeks, coal production has fallen by 70 percent. What production is going on, is being undertaken by a skeleton crew.

ARG 14/4/92 (215)

SA coal faces new Euro-tax

JOHN YELD
Environment Reporter

SOUTH African coal exports, freed for sale after the lifting of sanctions, will be hit when European Community nations introduce "carbon" or energy taxes as part of their strategy for dealing with environmental problems like global warming.

This was predicted by economics guru Professor David Pearce of University College, London.

Professor Pearce, visiting South Africa to promote his ideas of a packaging tax or levy to deal with the problem of packaging waste, is one of the world's most acclaimed environmental economists, credited with turning former British Prime Minister Maggie Thatcher "green".

His books include the widely respected *Blueprint for a Green Economy* and *Blueprint 2.*

Professor Pearce said the EC Council of Environment Ministers would meet next month to discuss the introduction of an energy or carbon tax on oil, coal and gas

Because the tax would increase the cost of these unrenewable resources, people would start to conserve energy, reducing the alleged threat of global warming — he believed this would be less severe than predicted — and there would be serious incentives to look at renewable energy options in much closer detail

The proposed tax could reach $10 (R29) a barrel within a few years, raising the price of energy by between 50 and 60 percent, Professor Pearce predicted.

"This is the way Europe thinks it will help to solve the energy crisis... I can't be definite but I'm pretty sure that it's coming and it will affect South Africa because we will tax imports as well."

Manufactured products could also be affected, Professor Pearce said.

In Britain, consultants had looked at the problem of deposits on all types of containers, including cartons, plastic and glass bottles, and steel and aluminium cans.

Their conclusion had been that a full deposit scheme could save £30 million (R150 million) a year in waste disposal and £6 million (R30 million) in clean-up costs However, such a scheme would cost the country £250 million (R1,25 billion) to implement

Anglo backs code of conduct

B/Day 14/4/92

WILSON ZWANE

ANGLO American was anxious to sign a code of conduct relating to stayaways with the NUM as soon as possible, spokesman James Duncan said yesterday.

Duncan was commenting on a blueprint, set out by the Goldstone standing commission on public violence and intimidation, for managing tension and conflicts between management and unions on the mines.

The commission appointed a committee to consider violence which left 86 dead and 403 injured at Anglo American's President Steyn mine in Welkom last November.

Releasing its findings recently, the committee said tension and conflicts on the mines could be managed if:

- ☐ All mine managements and the NUM agreed on the legitimacy of political activity in hostels,
- ☐ Managements and the NUM agreed on strict rules for the control of meetings,
- ☐ Managements reviewed training for the conducting of disciplinary meetings,
- ☐ The mining industry appointed an ombudsman to mediate between management and the NUM,
- ☐ An urgent agreement on ways to alleviate tension in the hostels was reached, and
- ☐ An urgent agreement between managements and the NUM on a code of conduct relating to stayaways should be set up.

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Duncan said negotiations between the corporation and the NUM on alleviation of tensions on the mines had been concluded while "we are anxious to sign the code of conduct with the union as soon as possible"

Chamber of Mines spokesman Peter Bunkell said it was still too early to say what course of action the industry would take as the commission's report was only distributed by Anglo American last week

An NUM spokesman said it would be premature to comment on the commission's recommendations as the union got a copy of the report only last week.

President Hotel's goods auctioned

Own Correspondent

CAPE TOWN — The contents of the former five-star President Hotel in Sea Point went under the auctioneer's hammer yesterday, signalling the end of an era.

Its revamping into a R227m luxury hotel and flat complex will begin as soon as all movable assets have been sold.

Auctioneer Kelley Finberg said the auction, which would continue today, was one of the largest held in Cape Town. B/Day 14/4/92

The goods ranged from a giant brass chandelier and vast quantities of furniture to hundreds of miniature shampoo bottles. Anxious bidders were watched by forlorn staff members who had been retrenched.

Parts of the hotel, which has been reduced to a maze of dusty corridors piled high with furniture, date back to the turn of the century.

A circular relating to the acquisition will be posted to shareholders in due c

Management strategy keeps Scharrighuisen on track

Bday 23/4/92 (215)

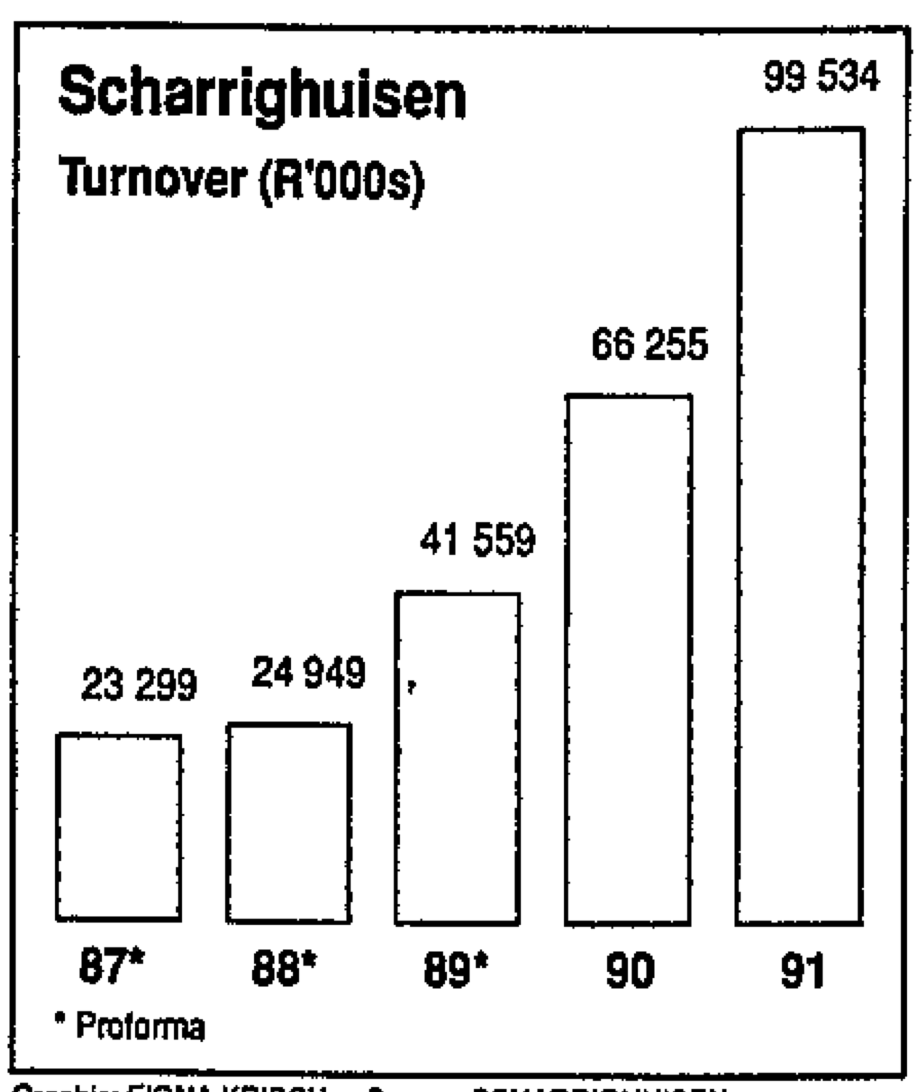
EDWARD WEST

SCHARRIGHUISEN performed well during the first quarter of the year and looks set to maintain its five-year trend of strong profit growth.

The 20-year-old opencast coal, gold and plant hire company could benefit further if negotiations for new prospects bear fruit, Scharrighuisen joint-MD Laurie Fisher said yesterday.

Since 1987 Scharrighuisen's attributable earnings had increased more than five times to R18,3m at year-end in December 1991 from R3,1m in 1987 Profits had increased 98% compared with R9,2m profit earned in the previous year.

Its share price had almost kept up with the profit performance Its listing price of 170c had climbed — albeit erratically — to yesterday's untraded price of 340c a share. Before peaking at R4 a share on June 21 last year, Scharrighuisen touched a year's low of 180c a share



Graphic: FIONA KRISCH Source SCHARRIGHUISEN

Chairman Casper Scharrighuisen said in his annual review last week that while the severity of the downturn had not been anticipated, management flexibility averted any major setbacks.

Opencast mining operations continued to grow, however plant-hire revenues fell because plant was used for the mining operations. Construction activity was curtailed due to economic conditions.

The directors reported that the group maximised returns on assets by its ability to move underutilised plant from one division to another.

With the acquisition of Frigate Mining for R10m in July last year, the company diversified its opencast coal mining operations into gold mining and now successfully operates SA's largest opencast gold mine, says Scharrighuisen.

Fisher said West Wits had low-quality ore reserves to last for seven years It operated at a profit because of its low cost and shallow (85-100m) operations The group was also investigating the feasibility of other opencast gold mining operations, he said

The possibility of the group entering the engine rebuilding business had also been mooted.

The financial statements showed Frigate had failed to comply with the terms of the acquisition and a substantial portion of the purchase consideration had not been paid. However, as Frigates obligations were guaranteed by a bank, no actual or future loss could arise, the report said

Fisher said the dispute with Frigate had been resolved, as long as the recapitalisation of Frigate proceeded as planned

T&N's set to prosper after stable cleaning

S/Times (Buss) 26/4/92

T&N Holdings is poised to do well in what is expected to be a tough year

A year ago, management was faced with a major challenge to profitability

It responded in fine style, earnings a share doubling to 70c and the dividend rising from 13,8 to 24c in the year to December 1991. The company's performance in the previous year was poor

Group financial director Christopher Good says 1990 was particularly difficult because customers destocked and there was a serious strike. As a result management looked at its strategy from top to bottom. Everything was covered: production, labour relations, asset management, marketing and distribution and other factors which affected efficiency

There were no sacred cows.

It was important that management was able to take a flexible and self-critical attitude. In particular, managers were able to react to lower as well as higher demand.

All too often, management and labour fight for a bigger share of the cake. It does not occur to them to get together and bake a bigger cake, but this is what happened at T&N's Ferodo division.

After a fairly lengthy strike, management insisted on improved productivity as part of the deal to increase wages. As a result, profitability was higher than ever

Ferodo also gained greater market share.

Mr Good says it is best for every country to specialise in what it can produce most cheaply

T&N plc, the UK parent, has adopted a policy which has helped exports considerably. There are certain niche market products which T&N SA can produce more cheaply than others in the T&N international group

The SA company will produce them and export for the entire group. Exports now make up more than 10% of turnover and are expected to increase at competitive prices.

With its recently discovered flexibility, management has learned to cope with increased imports.

Although debt is too high and interest charges are not well covered, better asset management and favourable cash flow from operations are steadily remedying the situation.

A total of 64% of the automotive division's turnover supplies the replacement market and only 22% original equipment. The average age of the national car park has increased from five to eight years and can be expected to lengthen further. This must benefit T&N

Mr Good is cautious about prospects for 1992 because motor-vehicle sales are well down and trading conditions are expected to remain difficult.

However, customer destocking, which has continued longer than expected, appears to be more or less over

Loss areas are being tackled and are expected to benefit from changes implemented in 1991

The astute way to 30% returns

S/Times (Buss) 26/4/92

THIS year I have concentrated on shares which commentators have tended to overlook and which appear to hold hidden value.

In my reviews of T&N and Scharrighuisen I continue this policy

However, because many brokers have expressed doubts about the market, at least in the short term, I canvassed some opinions.

Tim May, joint editor of the new City News, is one whose views I respect.

Mr May says the market comprises four categories blue-chip industrials; the rest of the industrial market; gold shares and other mining

He knows of hardly anybody who has made profits on gold shares and sees no reason to hold investments where the price of the product is uncertain.

Mr May believes investors can achieve returns of 30% from companies whose profits are not too difficult to forecast.

So why hold golds and miss these opportunities?

Even if the gold price rises, the cost-cutting process on the mines has more or less done its work. From now on costs must be expected to resume their steady rise.

It is doubtful if exchange control will be relaxed to allow institutions to invest abroad. So in view of the weight of funds, demand for blue chips should remain strong in the longer term.

Rights issues will absorb some institutional cash, but not enough to relieve the market.

Mr May says blue chips often look expensive, but good quality is worth paying for

He sees no reason for this to change.

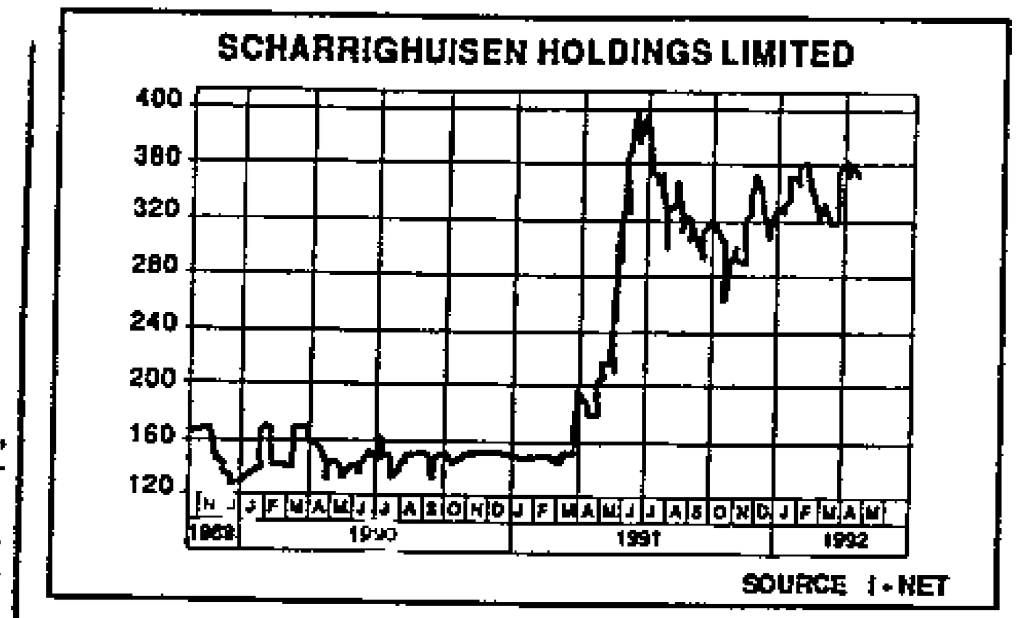
However, there is a broad industrial market where excellent value can be found because institutions can deal only in highly marketable shares. Astute private investors are realising that they can turn this to advantage and achieve returns of about double the market average.

Mr May says lower interest rates are needed urgently because too many people are being driven out of jobs or into bankruptcy. When interest rates eventually fall, the economy should improve and profits and dividends rise.

The time is right to seek value in the market and be ahead of events. Investors who are not in the market should be returning to being fully invested.

The essential ingredients of successful investment are sound research and advice. With the economy perhaps approaching an upturn at the same time as most blue chips are in high ground, this is now particularly true.

It should be stressed that Mr May is taking a longer-term view than many market commentators, including chartists, who are cautious about the immediate future.



Scharig key to success

S/Times (Buss) 26/4/92 215

THE secret to Scharrighusen's success in tough times lies in the efficient use of plant in profitable niche markets.

Scharig increased earnings a share by 85% to 70,8c and the dividend by 138% to 25c in the year to December 1991.

Few listed companies can claim such a record in these times.

Joint managing director Laurie Fisher says the company's main activity is in open-cast coal contracting and rehabilitation of collieries for Gencor, Rand Mines and Sasol, among others.

Because Scharig operates for third parties, it avoids the risk of trading for its own account. Asset management is simpler. It consists of the judicious buying of plant for expansion without running up too much debt. This is an important advantage, particularly in a recession.

The lifting of sanctions has reopened France and Denmark to SA collieries, so that even if domestic demand is static, exports should grow. SA coal exports are concentrated on Europe, where ageing collieries are becoming more expensive to run and are thus reducing output.

Environmental legislation in SA is being more strictly enforced, so Scharig is enjoying more rehabilitation contracts. Last year it put out an underground fire which had caused major environmental problems from a closed-down mine near Witbank.

Scharig's basic operating procedure is the most profitable use of plant in any area where it has the expertise. This means that it can expand into related plant-based activities, and can follow a judicious policy of acquiring other businesses.

Mr Fisher says the recession gives the opportunity to buy such businesses cheaply

Scharig's favourable rating on the JSE often gives it the choice to pay for an acquisition either with cash or shares. This gives the advantage of flexibility

Because Scharig last year bought two subsidiaries of Frigate, and not Frigate itself, it is free of the controversy surrounding that company. However, it enjoys a substantial tax loss from its acquisitions.

Scharig has issued a warning. In spite of the purchase of the Frigate subsidiaries last year the company is in a position to make additional takeovers. The warning suggests that such a deal will be announced shortly

Scharig announced its results at a time of market weakness and was not given full credit for them and its shares did not rise. At the current level, they look cheap

Fast food is the spur

S/Times (Buss) 26/4/92

SPUR Steak Ranches has an enviable profit record.

Earnings rose by 43% and the dividend 31% in the six months to August 1991

It appears that customers who seek the convenience of eating out are trading down instead of having a meal at home.

Spur's core activity is franchising of sit-down, fast-food restaurants. It earns its profits from royalties paid by franchisees. The source of income is important, particularly at a time of high interest rates.

Spur does not bear the risk of carrying large stocks, financed by overdrafts. The opening of franchises should be limited only by the ability of franchisees, essentially small operators, to find the capital to open a steakhouse.

This means that Spur can maintain a strong balance sheet. In addition, dividend cover can be much lower than for a company trading for its own account.

In the past year or two, there have been unfortunate examples of retail chains which have expanded too fast and come to grief as a result. The basis of Spur's operations avoids this.

In February 1991, there were more than 100 retail outlets, of which most were steakhouses. Spur has diversified into franchised pizza houses and this experiment appears to have been successful.

Assuming slower growth in the second half-year to February 1992, Spur could earn 30c and pay 23c share. The low dividend cover means that Spur can be rated on dividend yield rather than PE. At the current price, the shares look interesting

DIAGONAL STREET

by Robin Pegler

Engen as a rand hedge

S/Times 26/4/92

ALTHOUGH I wrote about Engen in January, the good news since then makes it worth a second look.

The European Economic Community has lifted its oil embargo on SA and it is hoped that the UN will follow soon. This could result in Engen's being able to buy crude oil more cheaply

In addition, the interim report for the six months to February 1992 is much better than expected. Earnings a share rose 20,6% from 111c to 134c and the dividend 19,1% from 42c to 50c.

This is at a time when many companies are battling to improve profits and also in a year when Engen's earnings a share looked like falling after the 40-for-100 rights issue diluted the share capital.

In fact, the cash raised at that time has been profitably invested until it is needed for expansion and actually contributed nearly a third of total earnings.

Financing income will fall as spending on plant gathers pace, but from next financial year Engen will have 30% greater capacity. That should more than offset investment income.

Although the second phase of expansion will be complete only in 1995 Engen will then have doubled its present capacity

Contrary to expectations, profit margins improved in the six months to February 1992. Turnover was up 4,4%, mainly because of higher exports.

Tax took 19,5% of profits. The capex programme means that tax should be low still for some years.

The first oil from the Alba project in the North Sea is due to start production late in 1993. Looking further ahead, the Britannia gas field in the same area is targeted to begin production in 1997

These earnings, together with increasing exports, could make Engen an interesting rand hedge in the long term.

Management forecast that second-half earnings should be similar to those in the first half. So Engen could earn 268c and distribute 130c for the year to August 1992.

Randcoal steams ahead on high sales and low rand

BDay 28/4/92.

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MATTHEW CURTIN

HIGHER local and export coal sales and depreciation in the rand boosted interim results at Randcoal, Rand Mines' coal mining division

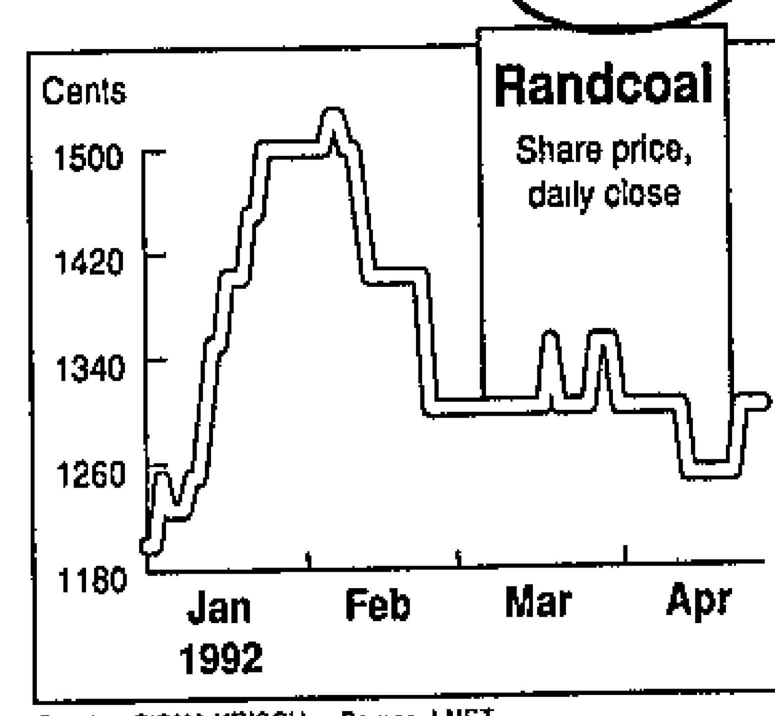
Earnings a share climbed 44% in the six months ended March, meeting chairman Allen Sealey's forecast in November last year that the coal group's performance would improve this year

Randcoal — formerly know as Witbank Colliery — declared a 10% higher interim dividend of 23c, compared with 21c a share in 1991

The results will bolster Rand Mines' interim performance — the results will be published next month — as the mining house has become increasingly dependent on coal for its earnings, with the marginalisation of its gold mines and sale of platinum and forestry divisions last year.

Earnings rose to 95c from 66c a share in 1991, of which 6c was due to the first contributions to Randcoal's earnings by former Rand Mines subsidiaries Corgroup (Jupiter) Investments and Manhattan Syndicate, which it acquired last year.

Randcoal's Douglas Colliery wholly owns or has majority stakes in seven collieries in the Witbank and



Graphic FIONA KRISCH Source I NET

Newcastle areas

Until the end of this year, Randcoal had only a 50% stake in Corgroup's Rietspruit colliery, and 30% stakes in its Khutala and Majuba collieries.

Deputy chairman and CE Allen Cook said yesterday the larger contributions from Corgroup's collieries were the main reason for the 22% jump in turnover in the period, to R766m from R569m

Cook said in a statement that spot prices for export steam coal had fallen since the beginning of the year, but Randcoal had already signed long-term sales contracts. They would help the company repeat the interim performance in the second half of the year

SA coal exporters secured only marginally lower coal prices for 1992 long-term contracts, in part a reflection of the ending of the so-called political discount which SA producers offered customers as sanctions came into force in the mid-'80s

Exports rose to 5-million tons from 4,2-million tons, and Randcoal resumed exports to Denmark and France, after the lifting of sanctions earlier this year.

The inclusion of Corgroup's and Manhattan's local business masked the local slump in coal consumption and saw Randcoal sell more coal to Eskom and inland markets.

Corgroup had contracts with Eskom, and Randcoal supplied the Kendal power station which burned more coal in the period, lifting Eskom sales to 7,4-million tons from 6-million tons.

Randcoal's operating profit jumped 55% to R164m from R107m, "due mainly to increased volumes and a weaker rand/dollar exchange rate", Cook said.

Investment income was R267 000, 85% up from last year That, on top of good operating results and a reduction in its interest bill, increased after-tax profit 90% to R98m

Randcoal spend R253 000 on exploration in the period

At March 31, Randcoal had long-term loans of R823m compared with R796m at the same time last year

NEWS

R51-m to fight coal mine damage

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STAR 28/4/92

CAPE TOWN — It would cost the State at least R51 million over the next three decades to combat pollution from abandoned coal mines in the Witbank and Ermelo districts, the Minister of Water Affairs, General Magnus Malan, said in Parliament yesterday.

Speaking in debate on his department's vote, he said this would be done in terms of the State's responsibility to control pollution caused by mines that stopped operation before 1956.

Pollution from coal in the Witbank district affected water quality in the Loskop Dam cachment, and pollution from Ermelo could be noticed in the upper Vaal cachment up to the Grootdraai Dam.

Sixteen coal mines in the Witbank area and seven in the Ermelo area were concerned.

"It is estimated that about R29,3 million must be spent over four years, while a further R22 million at present prices will have to be spent over a 30-year period to get these proposed (control) works established and to maintain them."

In 1987 Parliament had allocated R32 million over 10 years to combat water pollution from coal mines in northern Natal. — Sapa.

Exports boost Randcoal profits

APG 28/4/92

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Business Staff

RAND Mines coal mining arm, Randcoal, benefited from increased domestic and export coal sales and boosted earnings per shares by 43 percent to 95c (66c) in the six months to end-March.

The 21,6percent improvement in tonnages sold resulted mainly from the inclusion, for the first time, of sales from Corgroup (Jupiter) Investments and higher volumes from Douglas Colliery and Welgedacht Exploration

Combined with a weaker rand and the resumption of sales to customers in France and Denmark this lifted turnover by 35 percent to R766 million, while after-tax profits surged by 89 percent to R97,1 million

An interim dividend of 23c (21c) a share has been declared.

■ Anglo-Transvaal Collieries, which has as its sole investment a 15,6 percent stake in Randcoal, has raised its total dividend for the year from 375c to 387c.

APARTHEID

Price of old mines

[illegible]

[illegible]

to combat pollution caused by [illegible] abandoned coalmines in the Witbank and [illegible] districts said Water Affairs Minister [illegible]

[illegible] allocated R32-million over 10 years to control water pollution from coal mines in northern Natal.

Coal exporters gain extra R42m

STimes (Buss) 3/5/92

215

By CIARAN RYAN

COAL exporters have picked up extra orders worth more than R42-million since European sanctions were lifted nearly two months ago.

France and Denmark have bought more than a million tons of coal on the spot market.

International Coal Report editor Gerard McCluskey says "Electricite de France has bought about 800 000 tons, but at a low $27 a ton compared with contract prices of $31,80 in Italy for SA coal SA faces a dead market"

The coal for France came from Shell, RandCoal, Amcoal, Agipcoal and Duiker, among others

Steam

Elsam, the Danish power utilities association, has bought between 200 000 and 300 000 tons recently. Denmark is looking for a million tons from SA in the next year, says Mr McCluskey

Unconfirmed reports say the Netherlands has bought another 250 000 tons of SA coal. Enel, the Italian utility, bought 3,7-million tons of steam coal in 1990, representing 16% of SA's total European steam sales Enel is SA's largest single customer.

SA stands to pick up a large slice of the UK's imported coal market once contracts between the power utilities and British suppliers expire next year Under existing agreements, two UK companies, PowerGen and National Power, are committed to buying 65-million tons of coal from domestic suppliers this year.

Finland and Japan are also considering SA coal deals, says Mr McCluskey.

The removal of sanctions does not mean an improvement in prices for SA coal Exporters were forced to offer a political discount of up to 20% between 1985 and 1989, says a JSE analyst. But it disappeared in 1989 because "sanctions against SA coal failed".

SA mines were able to find new markets to replace those lost to sanctions. When sanctions were imposed in 1985, SA export coal prices fell almost 50% as collieries tried to maintain export tonnage.

SA exported 48,2-million tons of coal last year. The JSE broker says exports are likely to increase by 2-million tons a year, placing pressure on Richards Bay Coal Terminal (RBCT) in about four years' time

RBCT can handle 53-million tons a year and 64% of its entitlement is controlled by Amcoal, Trans-Natal and RandCoal, all of which are gearing up for an export boom

Capital expenditure by the three is expected to be more than R1,4-billion this year

Most exporters will seek long-term contracts, which offer better prices than on the sport market

Opportunities improve for SA coal exports

(215)

BD ay 6/5/92

MATTHEW CURTIN

OPPORTUNITIES for SA coal exports are improving steadily, but exporters are likely to reap the rewards only in the medium term

Coal mining shares surged as much as 40% in early 1991, but have been more or less flat the past year. The JSE coal index has risen only 3% since last May, and closed unchanged at 3 731 yesterday

Shares in market leader Amcoal were also unchanged at yesterday's R125,25, 9% up from a year ago. Shares in Rand Mines coal mining arm Randcoal have shown the biggest gains, up 17% in the past year, and closed at R14 yesterday.

Randcoal CE Allen Cook said yesterday the outlook for increased exports grew stronger as political developments in SA unfolded

The group's annual forex earnings, from the steam coal it mined and marketed, had topped the R1bn mark for the first time. Randcoal sold more than 11-million tons of coal to 15 countries in Europe and the Far East in 1991, worth R1,03bn.

Cook said customers in Japan, Korea, Denmark, France, the Netherlands, the UK and US could absorb another 10-million tons in export coal from SA by 1995 In the longer term eastern Europe could emerge as an important market

However, SA Coal Report editor David Spalding said SA coal exporters' gains were important in that they had regained "a foot in the door" in countries whose markets they had lost during sanctions

Low prices and strong competition meant that until 1993 exporters would show only a modest growth in export volumes

It was reported at the weekend that the lifting of European sanctions had resulted in SA exporters winning R42m in new business, equivalent to about 1,25-million tons or 2,5% of yearly SA exports.

Spalding said SA had sold about 1-million tons of coal to France, 250 000 tons to Denmark's Elsam power utility, and 250 000 tons to Belgium this year SA continued to sell coal to Italian utility Enel.

But he said low free market prices of about $26 a ton, well below 1992 contract prices of an average of $31,80 a ton, meant SA producers were reluctant to push more exports through the Richards Bay Coal Terminal The weak market conditions meant that although Spoornet capacity would only match the terminal's theoretical capacity of 53-million tons a year this August, the capacity of the rail link was not inhibiting exports.

Reluctance

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said French buyers, via French company Total, which mined coal in SA in conjunction with JCI, and Danish buyers had shown an immediate interest in local exports this year. However, he said export margins remained "extremely thin", with the FOB cost of exporting SA coal standing at $25-30 a ton, compared with contract prices of $32 a ton.

Locally, Eskom had spare capacity till the end of the decade, so excitement for investors, in terms of strong earnings and dividend growth, could only be expected in the mid-90s when the international steam coal trade was expected to boom on the back of renewed world economic prosperity.

Opportunities for coal exporters dulled

MATTHEW CURTIN (2.15)

WEAK dollar steam coal prices and fierce competition in the Pacific Rim have dulled the opportunities for SA coal exporters in the post-sanctions period.

However, Anglo American Coal Corporation (Amcoal) chairman David Rankin said in his annual review that in the 1991 calendar year coal exports were still SA's largest foreign exchange earner after gold Revenue amounted to R4,2bn, R200m higher than in 1990 SA coal exporters sold 48,5-million tons, 1,1-million tons below the 1990 figure, with 45,3-million tons exported through the Richards Bay Coal Terminal

Amcoal's exports in the year ended March 1992 rose to 10,3-million tons from 10-million tons

Indonesia was now a significant exporter, enjoying the competitive advantages of low production costs and proximity to the major Far Eastern markets In addition, aggressive pricing of Australian coal exports in a bid to win market share further limited increases in SA sales in the region

Most SA sales were to European utilities Although sanctions had been lifted in Denmark, France and the Netherlands, export prices fell in the year and were likely to do so again in the current year

Rankin said Amcoal was unlikely to match 1992 earnings of 1 275c a share — 16,5% up from 1 096c in 1991 — in 1993.

Business Day 14/5/92

Amcoal questions need for new coal terminal

STAR 14 5 92

By Derek Tommey 215

The ticklish question of whether South Africa should have a second major export coal terminal and run the risk of flooding the export coal markets is discussed by Mr David Rankin, chairman of the giant coal producer Amcoal, in his annual review issued today

Amcoal increased its attributable earnings in the year ended March 31 by 16,5 percent to R321,1 million and the final dividend has been raised by 9,8 percent from R287c to 315c a share The brings the total payment for the year to 465c, an increase of 9,4 percent on last year's 425c

The group increased its operating profit by R6,7 million (1,6 percent) to R419,1 million

Mr Rankin said that certain South African coal exporters, including potential new ones, recently announced that Portnet had been commissioned to investigate a new coal export terminal facility

Amcoal pointed out last year that a large single increment of available new capacity could be especially disruptive in the delicately balanced world markets

He added that the existing Richards Bay terminal was building up to export 53 million tons by 1995 This represented the most widely researched view of sustainable performance by the industry in world markets in a sanctions free environment

Mr Rankin said that if Portnet undertook the construction and subsequent operation of a new facility it was anticipated that this would be on normal commercial terms and on the basis of valid and binding long-term commitments from users

In recent discussions between the coal industry and Spoornet it became clear that the rail rates on the Richards Bay line would be the same as for existing users

Amcoal's operating profits this year are expected to be marginally lower owing to a downturn in the local market, a softening in US export prices and to largely unchanged profits from Eskom collieries

Less interest income is expected and tax savings will be reduced

Accordingly, Amcoal is forecasting lower attributable earnings for the current year

3. Student exchanges between Melbourne University and foreign tertiary institutions would be established. A selection committee would be set up to select students to be sponsored to further their study of their chosen foreign language in a native-speaking environment. As many students as possible from as many different language departments as possible should be sponsored to study in as many different countries as practical. Of course, this must be done while bearing in mind the various financial, diplomatic/bureaucratic and other constraints within which the programme must operate.

Bilingual students of disciplines other than languages could also be encouraged to further their studies overseas under this programme.

It would be hoped that contacts estabished in 1) will prove useful in this regard. An exchange system where the host institution would support the exchange students in exchange for a similar undertaking by Melbourne University would seem the most economical, practical and beneficial situation. However, lack of an official exchange agreement should not prevent Melbourne University from initiating by supporting students to study abroad.

Anglo-Transvaal puts on a repeat performance

BID ay 15/5/92.

Business Day Reporter

(215)

ANGLO-Transvaal Collieries' earnings for the half-year ended March 31 were little changed with the company reporting after-tax profit of R4,137m, against R4,151m for the same period a year ago — equivalent to 245,4c and 246,4c a share respectively.

Dividend income from fixed investment in Randcoal was an unchanged R4,203m, interest received was little changed at R18 000 and expenditure was R75 000 (R63 000). This left a pre-tax profit of R4,146m (R4,159m), of which R9 000 (R8 000) was paid in tax.

The market value of the company's Randcoal shares had risen to R145,5m (R107,7m) on March 31, while the book value was an unchanged R3,385m. Net asset value of Anglo-Transvaal Collieries' shares on that date was 9 072c (6 718c) a share.

Rand Mines shows 12% dip in earnings

BDay 18/5/92

DUMA GQUBULE

RAND Mines has reported a 12% decline in attributable earnings for the half year to end-March in spite of a good performance from its coal mining operations

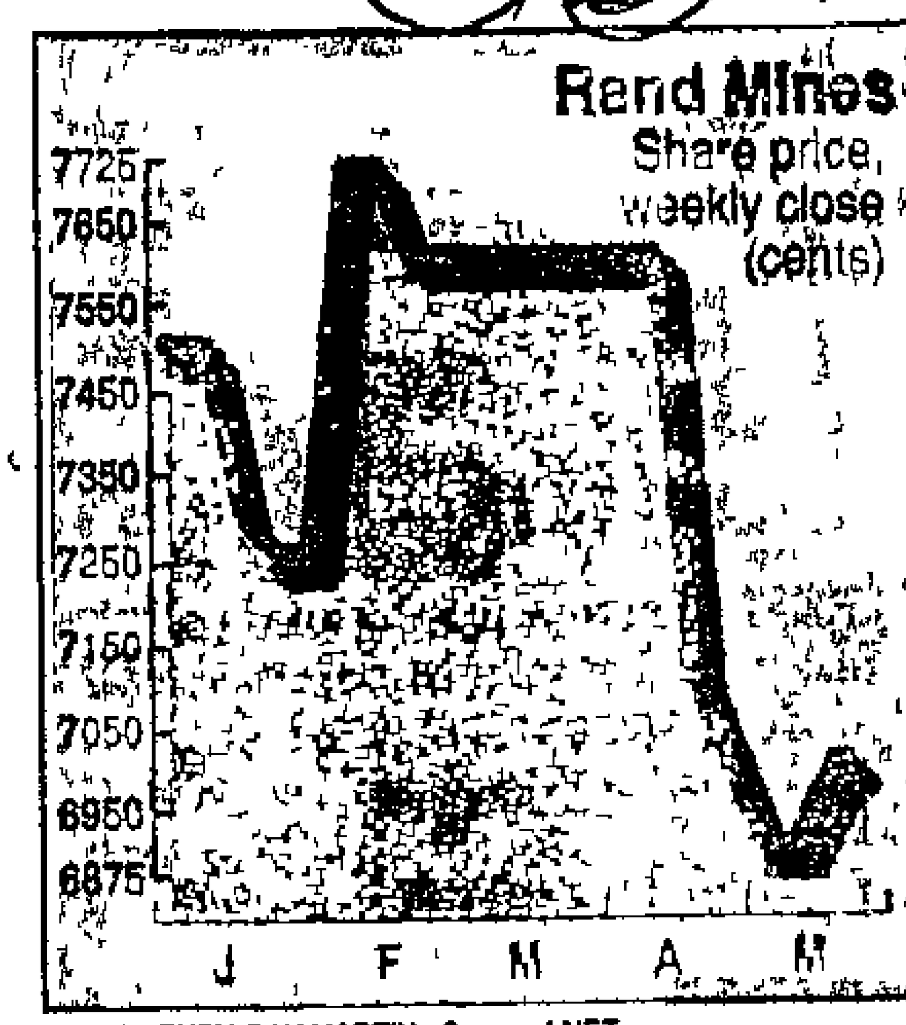
The group, the last of Barlow Rand's listed subsidiaries to report for the six-month period, saw its attributable earnings fall to R91,6m (R104,3m) or 614c (700c) a share. The dividend was 100c a share

The results were not comparable with those of the same period in the previous year because certain operations were discontinued or rationalised, the directors said at the weekend

Earnings from continuing operations increased by 15% to less than R90m (R77,4m), and were boosted by satisfactory results from its coal operations.

Randcoal, the 70%-held subsidiary, recently reported a 90% increase in after-tax profits to R98m Its R68,8m earnings contributed 75% to the Rand Mines group's half-year earnings.

The directors anticipate a decline in full-year earnings Second-half profits, which could be significantly influenced by exchange rate fluctuations, were expected to be lower than in the first half.



Graphic RUBY-GAY MARTIN Source I-NET

A Rand Mines spokesman said the results were gratifying viewed against difficult circumstances during the six-month period.

"With the reconstruction of the group now behind us, Rand Mines is financially

☐ To Page 2

Rand Mines

BDay 18/5/92

☐ From Page 1

sound once again."

Turnover rose marginally to R868,6m (R866,6m) Excluding discontinued operations, sales were 15% up on the previous year's figure of R755m

Operating profit fell 2% to R185,6m and after higher interest payments, pre-tax profit was down 10% to R138,9m With a lower tax bill and higher payments to outside shareholders (which nearly doubled, reflecting the sale to Randcoal of Corgroup), attributable earnings came to R91,6m

At the end of the previous financial year, the group indicated it would give priority to strengthening the balance sheet At the end of March the holding company had R30m in cash, while the sale of long-term debts had been reduced to R9m (R87m)

The directors said the growth in coal profits was attributable to higher volumes and a weaker rand

Gold operations showed a R2m loss although working costs increased marginally by 2% The loss was as a result of metallurgical problems at the Crown Mines recovery plant.

A spokesman said "The managed gold mines are under strong pressure at today's gold prices and jobs are being threatened"

Property's contribution to earnings increased to R7,1m (R6,3m)

Coal turns to 'gold' for Rand Mines

215

STAR 18/5/92.

Rand Mines' attributable profits for the six months ending March 31 amounted to R91,6 million largely due to the bolstering effect of its coal operations.

The period's attributable profits are equivalent to 614c a share which is down on the previous six month's 700c when attributable profits stood at R104,3 million.

However, Rand Mines believed the period's interim results were not directly comparable due to the discontinuation of certain operations and the rationalisation of others

The group expected second-half profits to be lower than the first half due to unfavourable trading conditions and possible exchange-rate fluctuations, but declared a 6,1 times covered unchanged interim dividend of 100c for shareholders

The group's coal interests contributed 75 percent or R68,8 million of attributable earnings in the period, 25 percent up on the comparable period last year before rationalisation when coal operations accounted for 53 percent or R55,1 million of attributable earnings.

Rand Mines put the growth in coal profits down to higher volumes and a weaker rand compared with the same period last year.

Attributable earnings were also helped by an improved contribution from property amounting to R7,1 million against R6,3 million previously as several large transactions were concluded.

However, the group's gold mines faced concerted pressure at current gold prices

A Rand Mines spokesman said jobs were being threatened, but attention was being focused on improving productivity in collaboration with the trade unions

The spokesman added the combined effort of management, employees and trade unions had reduced costs in the gold mining industry.The trade unions were realistic about the difficult situation facing the industry, and had gone a long way toward realising the value of wage packages linked to productivity, he said

Total turnover for the six months was up 15 percent on the same period last year to R868,6 million, while operating profit and investment income were marginally less at R185,6 million and R42,9 million respectively

The interim report indicated management and financial services, exploration, investment and sundry income was unchanged at R15 million of the half-year's earnings.— Sapa

BDay 20/5/92

Notice incorrect 215

RICHARDS Bay Coal Terminal's fifth redemption of debentures will take place on June 26 1992, and not March 26 as stated in the official notice which was published in Business Day on May 15.

REPORTS Business Day Reporters, Sapa, Own Correspondent

Carbon tax threat to SA coal mines

215

S1 Times (BUSS) 24/5/92

By IAN ROBINSON

SOUTH Africa's coal industry faces a major challenge from environmental lobbies in the current decade

The European Economic Community (EEC) proposes to adopt the most ambitious environmental measure ever contemplated — the carbon-energy tax.

The EEC Commission has approved a directive — subject to endorsement by the Council of Ministers — to impose the tax. The intention is to reduce carbon dioxide (CO_2) emissions Carbon dioxide has been blamed for the greenhouse effect and global warming

The commission's plan stems from an EEC decision two years ago to stabilise CO_2 emissions, which will mean cutting their predicted level in 2000 by 12%

The proposed tax would start at \$3 on the equivalent of a barrel of oil in 1993, rising to \$10 by 2000 Half of the tax would be levied on the use of energy from non-renewable sources (excluding nuclear) and half on carbon emissions.

Weighted

The carbon tax is weighted against coal because it would be imposed at different levels on different primary fuels according to their carbon content Because of its high carbon content a unit of energy, coal will carry a higher tax than other hydrocarbons At \$10 a barrel of oil, the tax would raise the price of coal by 58% compared with 34% for natural gas (for industry) and only 6% for petrol

The tax's application will, however, be subject to the "rule of conditionality" This means that enforcement of the tax is subject to the adoption of similar measures (involving an equivalent financial burden) by the EEC's main trading partners

Nevertheless, Jacques Delors, president of the commission, wants the EEC to take the moral high ground by presenting the proposal at the United Nations earth summit — to be attended by 135 nations — in Rio de Janeiro next month

Both the US — which generates a quarter of the world's CO_2 emissions — and Japan are hostile to an energy tax. The impact of the tax will be watered down by exemptions or reductions granted to important energy-intensive sectors of EEC industry, such as aluminium, steel, glass, paper and others Although loopholes and opposition from other countries may prevent the effective application of the tax for some years, the EEC Commission's directive represents a "strong way" of presenting its position and exerting pressure on trading partners.

Signal

Counsellor (mineral and energy) at the South African Embassy in Paris, Arthur Dykes, describes the carbon tax as "potentially a major threat" Even if the proposed tax has no teeth, it has an adverse psychological effect on coal use.

The proposal sends a signal to coal users that if they fail to use energy more efficiently, they would be liable to penalties at some time

Randcoal and Amcoal say they are monitoring the tax proposal Randcoal managing director Rick Mohring says it "could be a threat, but it is difficult to gauge the magnitude"

Closer to Zaire

S1 Times (BUSS) 24/5/92

A ZAIRE-SOUTH Africa Business Association has been formed to promote trade and business links.

The association says SA has traded with Zaire since the early 1960s. Zaire pioneered the opening of international relationships between SA and the rest of Africa

SA's first African trade mission was opened in Kinshasa and Zaire was the first country to lift all visa restrictions on South Africans.

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field in southern Africa

Coronation sees a slide

215

B/Day 29/5/92

MATTHEW CURTIN and MICK ELLINGHAM

CORONATION Syndicate, Lonrho's investment company whose main asset is its stake in coal and gold mining company Duiker Exploration, has declared an interim dividend of 5c a share, down sharply from 14c in 1991

In the year ended March 31, after-tax income fell to R533 000 from R849 000, with earnings a share down to 8,9c from 14,2c

A company spokesman said Coronation had increased its stake in Gencor and holding company Gencor Beherend at a cost of R345 000. Sister investment company Tweefontein United Collieries, whose principal assets are stakes in Coronation and Duiker, declared an interim dividend of 40c, compared with 55c in 1991. Earnings fell to 49,3c from 55,4c a share

Duiker's weaker March quarter results reflected lower coal sales, particularly anthracite, and a fall in gold production

Tweefontein's income dipped to R1,2m (1991. R1,4m), leaving attributable profits at R855 000 (R962 000)

Current liablities were substantially lower at R961 000 (R1,436m), while net assets increased to R7,756m (R7,454m). However, the market value of investments was lower than the previous interim period at R29,399m (R31,870m).

SA-born mine head going for UK coal

St Times (Buss) 31/5/92.

215

JOHN CAVILL: London

PRIVATISATION of the 76-million-ton-a-year coal industry will result in Anglo American, Gencor and Australian and US mining groups competing for a foothold in Britain, says Crispian Hotson, South African head of the UK's biggest private producer, Ryan International

Armed with a war chest of £115-million from a consortium of investment institutions and banks — £50-million in new equity and loan facilities of £65-million — Mr Hotson has set his sights on bidding for potentially profitable British Coal operations when they are privatised next year

With former JCI chairman Gordon Waddell, Mr Hotson is targeting an anthracite mine in South Wales and coal mines in Scotland and North East England

Reserves

They could produce 12-million tons a year to treble Ryan's output of 6-million, of which about a third comes from operations in the US, Belgium and Poland

Mr Hotson says "There are huge opportunities for coal in Britain If you get costs down to £25 a ton — against British Coal's present average of £42 — that competes with the cheapest imports from South Africa

"The UK has 300 years of reserves and is the only European country able to compete in the international coal market

"With the running down of inefficient and environmentally bad (brown coal) mining in Eastern and Central Europe, the region's imports of 70-million tons a year will double in the next 10 years

"We will see the big international groups — Anglo American, Gencor, the Australians and Americans — in here competing for slices of British coal production"

Mr Hotson, 41, was born in Johannesburg, but has spent his working career in the US and UK After matriculating at Diocesan College (Bishops), he obtained a master's degree in metallurgy at Cambridge, returned to SA to do his national service and went on to complete his MBA at Stanford University, California

"I saw better career opportunities overseas than in South Africa so I decided to stay," says Mr Hotson

His first job was with SA coal magnate Graham Beck who had bought two companies in Kentucky

Mr Hotson ended up running the operations between 1979 and 1983

Mr Hotson then saw an opportunity in UK coal at the start of the Thatcher Government's great privatisation programme

"In any mature industry like coal where there is structural change there is opportunity," he says

The year-long coal miners' strike of 1984-85 provided the key

"So long as you believed that Arthur Scargill (leader of the National Union of Miners) wasn't going to win there was bound to be change"

Mr Hotson invested in Ryan which was losing £3-million on annual sales of only £20-million and was "bust" — it had a market capitalisation of only £4,5-million

In 1988 he led a management buy-out of Ryan and enlisted institutional backers to run down the company's debt

CRISPIAN HOTSON: Ready for battle with £115-million war chest

Biggest

Ryan has invested £10-million in reopening a Welsh mine closed by British Coal in 1968 It was the first Western company to enter a joint-venture project in Poland — five years ago

It also mines in Pennsylvania and has a recovery-from-discard operation in Belgium

The biggest division, however, is its 4,3-million-ton-a-year opencast mine, which produces coal at under £14 a ton as a contractor to British Coal

Ryan International is 70% owned by big institutions with 22,5% held by Mr Hotson's family trusts and 7,5% by management

Premier-Metro merger

PREMIER Group will merge Premier International with the international trading activities of Metro Cash & Carry. The new group will be called Metro International and will operate from its own offices in Selby, Johannesburg.

This move follows the acquisition of a controlling interest in Metro by Premier Group

Tabs kept o

A MAJOR step by the Governn transport will come into effect tion of the "operator"

This will involve the issue of trucks of more than 3 500kg The vehicle

A register will monitor the nu the operator, such as overloading the same offence could have thei prevent continued operation

This concept is part of the (RTQS) which will eventually in professional drivers and driving

Tough talks ahead on the coal mines

wlm(?) 5/6-11/6/92

(215)

Coal rather than gold may be at the centre of the mine pay wrangling this year, reports
FERIAL HAFFAJEE

COAL mining seems set to be the site of a sooty wrangle in this year's mining wage negotiations

The industry believes that in order to maintain the mineral's profitability, costs must be contained and one of the ways to do this is to curb wage increases.

On the other hand, the National Union of Mineworkers (NUM) says the industry's wage structure is in need of a drastic shake-up and, to shake up the industry, they are seeking an average increase of 55 percent on the coal mines.

Employers are offering increases of between six and 11 percent while the union wants a minimum of R785 for surface workers and R865 for underground workers

This increase will bring coalminers closer to a single wage structure and will go some way to bridge the racial gap in the industry's pay packages.

The average wage for white coalminers in 1990 was R4 207 a month and for black miners, R946 a month. While the union acknowledges that levels of skill account for much of the difference, it still believes the discrepancy is too big.

The union also points out that while productivity has risen dramatically, employment has dropped just as fast. According to the union, "tons per man year increased from 870 in 1980 to 1 870 in 1990". Yet, employment dropped from 74 000 in 1983 to 42 000 in 1991.

"The benefits of improved productivity have plainly been appropriated by the employers," said the NUM this week

The union also alleges that the measly increases offered on the coal mines are an effort to satisfy a pact between the mining houses, Eskom and the government to lower electricity costs by 20 percent over the next five years.

Coal remains the country's largest foreign exchange earner after gold, say industry sources.

Anglo American's coal wing, Amcoal, increased its attributable earnings by 16,5 percent to R321-million from R275,5-million.

Increased export earnings, the containment of costs below the interest rate and improvements at New Vaal and New Denmark collieries all contributed to the bottom line Amcoal chairman David Rankin also said he expected export tonnage to increase further this year.

But these figures should not dazzle: domestic consumption of coal has decreased dramatically due to the mothballing of various Eskom power stations Rankin also throws out the damper of an expected "downturn in the local metallurgical coal and coke markets, a softening in US dollar export prices and largely unchanged profits from Eskom collieries"

For these reasons, he has pleaded for a "constructive attitude" from the unions during this year's negotiations, adding that last year's negotiations saw settlements which were more moderate tha in former years However, Rankin could not comment on this year's negotiations because the Chamber of Mines was negotiating on Amcoal's behalf

Rand Coal managing Rick Meiring confirmed that it was "not all rosy in the garden" Local markets were depressed and over-supply on export markets was lowering the price of coal.

Industry bosses are looking at new markets, says Francois Viruly, a senior economist at the chamber. France and Denmark are among their bigger hopes.

"But in order to win these markets," says Viruly, "we have to remain competitive." And South Africa is becoming less and less competitive with coal from countries like Indonesia, Venezuela and Colombia flooding the markets at prices below South Africa's (which until recently was the world's cheapest producer).

In addition to competing with countries where labour costs were even cheaper than South Africa, they also had to compete with countries like Australia and the United Kingdom where productivity was higher and the inflation rate much lower than South Africa (coal prices are set internationally).

Viruly said that wage increases should reflect the tenuous state of the industry.

Other union demands in the coalmining industry include full holiday pay, 30 days' paid annual leave, increase in employer provident fund contributions from five to 11,5 percent and improved compensation.

Coal mine employs whites

(215)

STAR 5/6/92

A total of 140 impoverished whites have been employed by the Durnacol coal mine in northern Natal after black workers were dismissed following an illegal strike earlier this year. Some of the whites were unemployed for two years Their families are being housed in black residential areas.

MACPHAIL FM 5/6/92

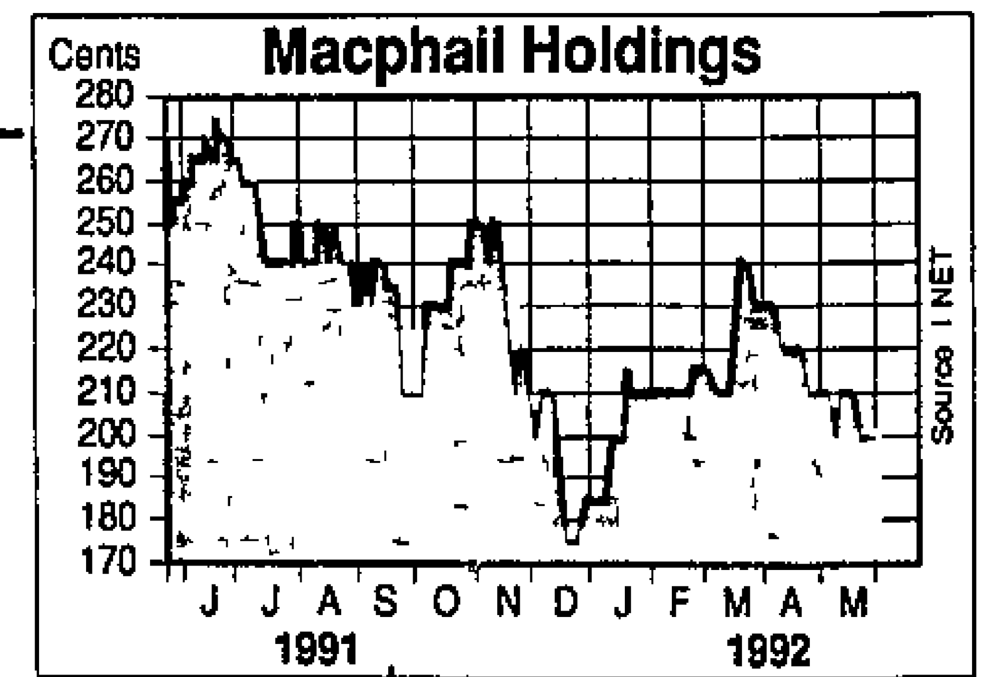
Burning brightly

Activities: *Markets and distributes coal in southern Africa*
(215)
Control: *W&A 63%*
Chairman: *T Rolfe, MD S Weintroub*
Capital structure: *14,2m ords Market capitalisation, R28,4m*
Share market: *Price 200c Yields 9,5% on dividend; 26,4% on earnings, p e ratio, 3,8, cover, 2,8 12-month high, 275c, low, 175c Trading volume last quarter, 130 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	0,6	0,07	0,06	0,4
LT debt (Rm)	0,2	0,2	0,7	0,8
Shareholders' interest	0,35	0,33	0,32	0,33
Return on cap (%)	19,5	24,1	26,0	26,2
Turnover (Rm)	100,1	153,4	211,8	239,9
Pre-int profit (Rm)	5,1	9,2	11,9	12,2
Pre-int margin (%)	5,1	6,0	5,6	5,1
Earnings (c)	26,5	41,5	50,5	52,7
Dividends (c)	11	16,5	19,0	19,0
Net worth (c)	66,5	83,7	148,7	176,5

MacPhail falls outside the traditional FSI areas of operation It is neither a consumer retailer nor an exporter of basic goods. Yet it is not surprising that the controlling shareholders are in no hurry to dispose of the interest Chairman Terry Rolfe says that the return on assets remains outstanding — by his definition, 78,2%, and 35,4% on shareholders' equity.

MacPhail acquired and opened additional coal distribution points in Natal and the Cape to strengthen its national network CE Sid Weintroub says it increased market share, though coal consumption nationally



FM 5/6/92

was lower because of the weak economy There was pressure on export volumes and a weaker domestic industrial market

Weintroub says there are considerable economies of scale in coal distribution, which enable MacPhail to distribute at relatively low unit cost He complains that MacPhail does not have access to the Richards Bay Coal Terminal, which is fully taken up by its shareholders — the coal divisions of the major mining houses (215)

Weintroub does not believe 1992 will be a bumper year Cutbacks by some ferrochrome producers and difficult times for customers, such as the textile industry, will have a severe impact on coal usage

But MacPhail continues to perform solidly A 3,8 p.e and 9,5% dividend yield make it an underrated counter *Stephen Cranston*

Methane may be fuel of the future in SA

S/Times (Buss) 7/6/92. 215

By IAN ROBINSON

MINING companies in Southern Africa are looking at a potential major energy source — coal bed methane (CBM)

CBM is natural gas trapped in coal seams and can cause explosions if not drained out of mines However, when released into the atmosphere it may harm the environment by contributing to global warming

The National Energy Council (NEC) — now incorporated in the Department of Mineral and Energy Affairs — commissioned a study last year of the potential of CBM.

Safety

The study pinpointed two areas with high CBM potential — the Waterberg Basin and Paardekop-Amersfoort in the south-eastern Transvaal

The department's director of coal, energy and the environment, Jan Bredell, says there are three potential motives for the extraction of CBM before mining begins safety, environmental protection and its use as an energy or chemical feedstock resource

Quad/EPI — the Cape Town-based hydrocarbon (oil, coal, gas) exploration consulting company — has formed an association with international CBM consultant Advanced Resources International (ARI)

ARI pioneered much of the US CBM production and Quad/EPI has done work on CBM in Turkey and the UK

The association with ARI has enabled Quad/EPI to implement a CBM resource appraisal and development service in Southern Africa Although CBM offers great potential — a large coal mine can contain as much methane as a third of the Mossgas reserve — Quad/EPI stresses that much groundwork is still required to prove its profitability in SA

A small company in Zimbabwe — Trotter Exploration — plans to exploit CBM in the Chiredzi area in the south-east of the country as a feedstock for wax

The wax facility will have an annual production capacity of 20 000 tons Two US companies, ARI and Colorado Rentech, will provide technical assistance with the gas extraction and the wax production respectively.

The capital cost of the project has been estimated at US \$15-million to \$17-million for CBM extraction and \$20-million to \$25-million for the wax plant

Trotter is talking to potential joint-venture partners in Australia, SA, the US and Canada The project has a two-year lead time

Commercial exploitation of CBM requires not only a reliable source but a nearby market because gas is expensive to transport

Research into the potential exploitation of CBM in SA is at a preliminary stage Two major factors determine the ability of the coal seams to store methane· higher rank and greater depth increase storage capacity Rank refers to the extent to which the original vegetable matter has been converted into coal

Paper

Several mining houses, including Rand Mines, Genmin and Johannesburg Consolidated Investment (JCI), are doing research on coal seams which contain methane Shell is making "paper studies" of CBM resources in SA

JCI technical director, coal and base metals, Con Fauconnier says holes being drilled to explore coal seams in the Standerton-Volksrust area will be tested for CBM Seams in this area are at an average depth of about 400 metres, which indicates greater CBM potential than most in existing mines which are usually at depths of less than 200 metres

SouthWits poised to sign coal contracts

BIDay 9/6/92 (215)

MATTHEW CURTIN

SOUTHERN Witwatersrand Exploration (SouthWits) has secured tentative contracts to supply metallurgical coal to industries in the Middelburg area. The company's new coal mine in the area is being commissioned at a cost of about R25m

Chairman Nic Stavrakis said yesterday negotiations on financing the project were near completion. He said the mine would produce 80 000 tons a month, half of which would be higher-grade low-phosphorous, low-sulphur coal.

It is understood that government's Industrial Development Corporation has backed the project in principle.

SouthWits shares have risen sharply since early March to 20c from a low of 8c, against the trend in the JSE's depressed mining exploration sector The shares closed untraded at 20c yesterday, but were offered at 24c.

Stavrakis said the colliery was well-placed to supply local industry, because of its proximity to Columbus Stainless Steel (formerly Middelburg Steel & Alloys), Samancor and Consolidated Metallurgical Industries' ferrochrome operations, and Highveld Steel and Vanadium's iron and steel works Spokesmen for these industries were not available for comment yesterday

Stavrakis said SouthWits had proven 10-million tons of A-grade domestic coal and metallurgical coal in two shallow seams. Mining was being carried out by Logan Mining, while LTA had been contracted to do earth-moving work and build the mine's washing plant

SA coal exporters 'face diverse market forces'

B/Day 9/6/92 (215)

MATTHEW CURTIN

THE threat of an EC carbon tax and expanding coal exports from the developing world are likely to depress international steam coal prices and squeeze the margins for SA coal exporters still further, says Davis Borkum Hare analyst Alex Wagner.

However, the lifting of sanctions, economic growth in the Far East, falling supplies from the former Soviet Union, and the quality of SA steam coal would boost SA's share of the export market.

In a recent report on the Anglo American Coal Corporation (Amcoal) — SA's leading coal exporter — Wagner said there was no reason for international coal prices to increase.

He said: "The EC is in the throes of gaining agreement for the imposition of an energy and carbon tax. For coal producers, this will lead to an immediate 16% increase in coal prices which cannot be fully absorbed by the customer."

Producers would bear a portion of these costs, which would accelerate the development of clean-burning natural gas power utilities, by making coal-powered electricity more expensive They already had "the advantage of lower capital costs, and a shorter lead time to production".

Wagner said increasing competition from rival coal exporters such as Columbia and Venezuela would prevent sharp increases in dollar coal prices, although SA producers had the advantage of exporting higher quality material.

Amcoal's earnings, up 16,3% in 1991/1992, would continue to increase in line with inflation as the rand depreciated against the dollar.

However, he said SA coal producers, "particularly Amcoal, are expected to benefit from increased coal trade with European coal customers" Amcoal's low-ash coal would be in greater demand in Europe because of tightening environmental regulations

Amcoal had signed contracts recently with French utility Electricité de France (EdF). Current estimates of 1,5-million tons of SA exports to France by 1995 were conservative, with a 70 000 ton order for prompt delivery already signed with EdF. SA exports to Denmark were likely to return to pre-sanctions levels of about 2,5-million tons a year

SA would gain a share of the Dutch market, where utilities tended to have diverse coal sources, while falling local coal production would increase SA access to the British market

Exports from the Commonwealth of Independent States were expected to fall by 8% to 12% in the next year, providing opportunities for Amcoal and others to win more market share.

The worldwide recession had hit the coal trade in 1991. Volumes would pick up only late this year, but good growth in the Far East, particularly in Japan and South Korea, presented good opportunities for SA coal exporters.

The expanded export capacity of the Richards Bay Coal Terminal to 53-million tons a year would probably be fully used only by 1998, should world demand warrant the increase Spoornet estimated its rail services would be capable of handling 63-million tons by mid-1993.

does well in tough times

FM 12/6/92 (215)

Pep International Ten factories in SA and the Transkei make many of the 4 000 products sold in group stores

The campaign started in 1987 to educate the work force and increase productivity has produced many gains, including "just in time" delivery to the stores Export opportunities have necessitated the introduction of a programme to produce quality standards that will conform with European rules.

Pep International opened two shops in Glasgow. A further 14 have been bought in Scotland and are being converted to the Pep concept Further acquisitions are planned and senior management has been seconded to oversee the expansion there

Largely as a result of the addition of 265 outlets, taking the total to 1 108, turnover increased by 19,8%. The tax rate fell to 36% from 41% to give taxed income an 11,9% boost Attributable income rose 11,2%. But these figures do not reflect the "clean" (net of investment income) trading record.

When investment income generated from the substantial cash holdings and investments is stripped away, operating income gained just 3,3% year as pre-interest margin tumbled to its current low. Rationalisations and tougher competition for low income group consumers evidently took their toll

Stock turn fell to 2,3 (2,7) times, though a 47% rise in stock reflects acquisitions rather than lack of management foresight Accounts payable rose by only 20%.

In the circumstances, the group did well to show an EPS increase of 11% MD Tony Haughton expects trading conditions to remain tough for the rest of 1992 but expects a "satisfactory" rise in EPS.

There is little doubt that Peplim, with its highly professional management, is every inch a bluechip share But, like food sector rival Pick 'n Pay, it is fast approaching that stage of life cycle maturity when, off a large base, it will have to resort to new tactics to grow faster than the fundamental economy.

It has, however, an exclusive opportunity that could last for a long time and boost operating income growth accordingly When the economy is restored, disposable income of the lower income groups — Peplim's target market — could outstrip the economy as the unemployed are sucked back into work

Gerry Hirshon

AMCOAL FM 12/6/92

Warning notes (215)

Never mind last year's good results; this year's will be worse. It is not often that a chairman of one of SA's largest conglomerates has the courage to say that, but Amcoal's David Rankin has forecast lower net earnings

For 1992, Amcoal clocked in a good return Turnover rose 4,2% to R1,9bn despite a fall in total sales to 42,4 Mt — marginally below those of 1988. Pre-tax profit fell R26m but the bottom line was helped by an adjustment for a lower tax rate and deferred tax benefits in previous years.

Rankin says Amcoal did not favour this basis of reporting but there was no gainsaying the cumulative pressure of the accountants and the benefit was taken in above the line.

The effect is to improve 1992 earnings by 16,5% to 1 274,7c a share, though Rankin is at pains to point out that the comparison with 1991 is not strictly valid

Amcoal's Rankin .. *facing a harder future*

Activities: *Mines and markets coal; distributes refractory bricks and building products.*
Control: *Anglo American 51%*
Chairman: *D Rankin, MD Dr J W Campbell*
Capital structure: *25,2m ords Market capitalisation· R3,0bn*
Share market: *Price R120 Yields. 3,9% on dividend, 10,6% on earnings, p·e ratio, 9,4, cover, 2,7. 12-month high, R133, low, R120. Trading volume last quarter, 214 000 shares*

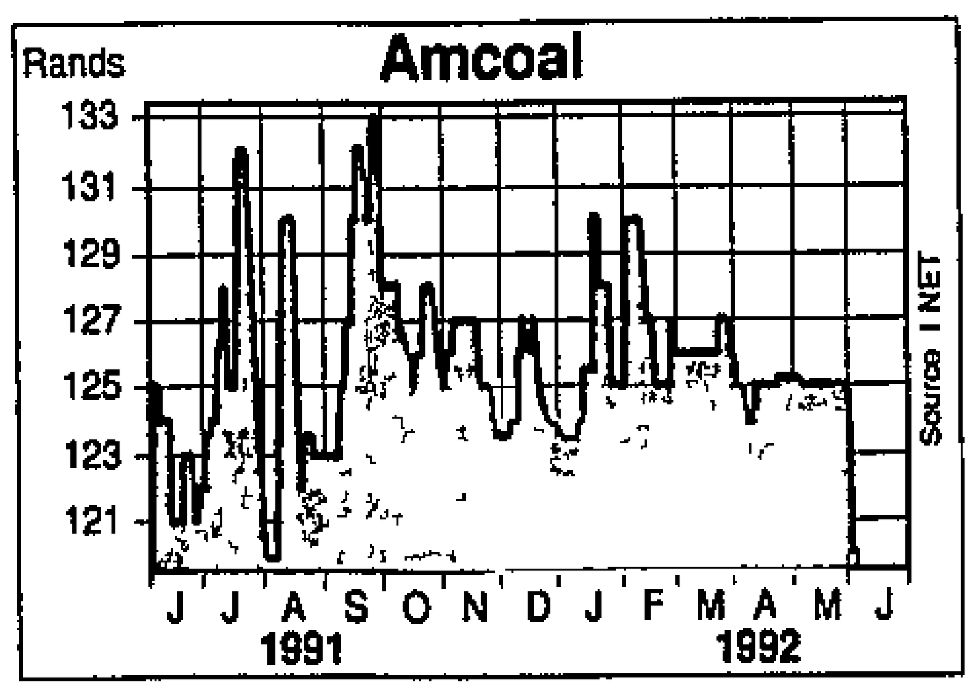
Year to Mar 31	'89	'90	'91	'92
Turnover (Rm)	1 446	1 753	1 819	1 896
Coal Sales (Mt)	45,5	43,1	43,5	42,4
Pre-tax profit (Rm)	364,2	563,7	536,8	510,5
Attributable (Rm)	165,6	256,2	275,5	321,1
Earnings (c)	665,1	1025,3	1095,7	1274,7
Dividends (c)	300	385	425	465
Cover (x)	2,2	2,7	2,6	2,7

P.T.O.

FM 12/6/92 (215)

He prefers to add back the adjustment effect; doing so cuts the improvement to 4,7% — which goes to show how tax treatment can affect the turnout of a company

The business is divided between coal mining and sales and refractories and building products (Verref), with coal sales split between inland (domestic) and foreign



Eskom, by far the biggest internal consumer, has not had the happiest of times Amcoal's sales to Eskom fell 3,5% from 31 Mt to 29,9 Mt Springfield colliery was closed Offtake was reduced at Arnot and Kriel collieries

Eskom has decided to reduce power generation at Arnot station from six to two generating sets Amcoal will not be badly affected, apparently because its agreements with Eskom provide for payment related to the colliery's productive capacity.

The contradiction within Eskom is that there is enough generating capacity to meet national demand until the turn of the century But, because lead times associated with new power stations are long, Lekwe power station is already being planned Amcoal is reviewing the development of its New Cornelia colliery which will supply Lekwe

The export market is another matter Coal is SA's largest foreign exchange earner after gold, earning R4,2bn in 1991. With sanctions dribbling away, new horizons are opening up France is taking our coal again And the first shipment to Denmark in years was despatched only last month

But all is not as rosy as it may seem. World supply exceeds demand and some fresh, aggressive producers are muscling in. Prime among them is Indonesia, which enjoys a "distinct competitive advantage in the Pacific Rim because of low production costs and proximity to major markets."

In Europe, our other traditional market, challenges come from the US and Colombia. So, says Rankin, "we don't expect the price pressure to improve much during the next 12 months " There may be opportunities to pick up additional export sales and Amcoal is well positioned to supply these

Capital expenditure in 1991 was a huge R479,4m, mostly related to the Landau replacement project, completing New Denmark colliery, and Kriel The biggest cash consumer is Landau, designed to enable Amcoal to take up its entitlement of 12,5 Mt when Richards Bay Coal Terminal hits its new maximum annual throughput of 53 Mt

Rankin is especially proud of Landau, budgeted at R900m, it should come in at R800m Not bad in an industry which seldom fails to produce large cost overruns.

Verref did not have a good year With sales hit by reduced demand from steel and ferro-alloy industries, and by the recession in the building business, earnings fell Since Verref minorities were bought in, Amcoal no longer breaks down profits between mining and Verref Last year Verref contributed turnover of only R227m, compared with R1,6bn from coal

Rankin hopes for an improvement in Verref's earnings this year, but it will clearly not be enough to offset other areas

Bearing in mind that Amcoal is the colossus of the coal board, providing about 24% of SA's total output, R120 is probably not an unreasonable price for a serious, long-term investor Coal is a good core investment and Amcoal is clearly the pick of the sector But it isn't for speculation *David Gleason*

Coal trade brushes off carbon tax threat

B|Day 18/6/92

(215)

MATTHEW CURTIN

SA COAL producers have brushed off the threat posed by the possible implementation of a carbon tax on the coal export trade

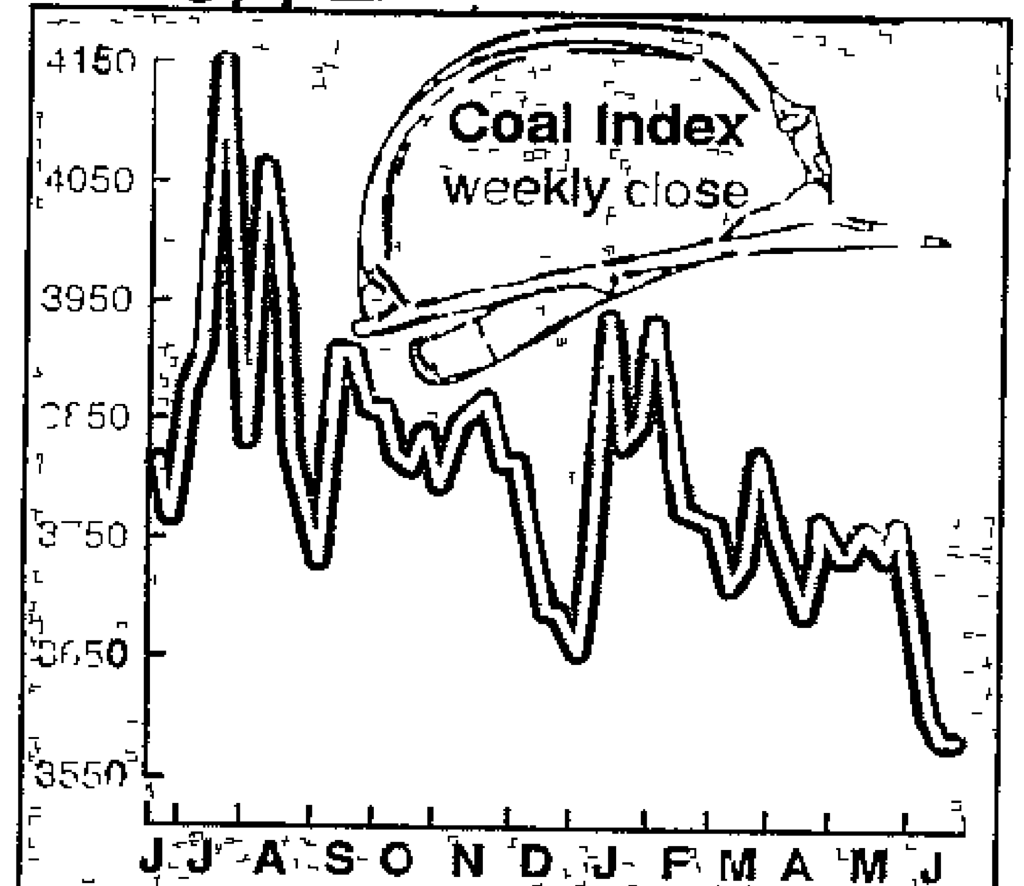
Analysts say the new tax could increase the price of coal by more than 60%, hitting SA coal exports, the country's second largest foreign exchange earner after gold

In the latest Minerals Bureau bulletin, analyst C B Tinney said "It is obvious that the imposition of a carbon tax would be disastrous for coal producers

"Export quantities and prices of coal would be severely reduced as end users look to substitution by cheaper forms of energy"

Tinney said the EC had proposed a carbon tax to reduce carbon dioxide levels by the year 2000, with phased implementation starting next year The starting rate would be $3 a barrel of oil, with higher rates for coal, rising to $10 a barrel by 2000

However, an Amcoal official said yesterday the group saw "no immediate threat of its implementation"



Graphics RUBY GAY MARTIN Source I NET

Of EC members, only the Netherlands had put a tax on coal into effect, and it would be between five and 10 years before it was implemented elsewhere

The official pointed out that the EC would have to look carefully at the implementation of a tax on all fossil fuels — coal, gas, and oil — some of the main culprits in emitting carbon dioxide into the atmosphere.

Randcoal MD Richard Mohring said there was "no global consensus" on the merits of carbon taxation and his group was not overly concerned

He said the tax had been imposed only on an ad hoc basis so far, with strong US opposition Developing countries, which provided growing export markets for coal, would not be able to afford such a tax

Similarly, the EC risked affecting the competitiveness of its exports if, by taxing coal, gas and oil-based energy sources, it pushed up energy prices too high

Mohring said there was continuing concern about the life-cycle costs of nuclear power — the expense of building new power stations and their large clean-up and closure costs — while breakthroughs could be made in developing clean coal-burning energy supplies

He said that in the foreseeable future, carbon taxes might prejudice the use of coal in some markets, but only relative to the effect it would have on other energy sources

Tinney said the carbon tax had been accepted in principle by EC members, but "several practical and administrative issues remain unresolved" It was not clear where in the fuel chain the tax should be imposed primary fuel extraction, imports or at the level of final fuel products Exemptions would be hard to administer

He said reports from Australia showed that the government would have to introduce a $115 a ton of carbon tax on coal to bring carbon dioxide emissions to desired levels by the year 2000

He said the economies of countries, such as SA and Australia where coal exports were a significant part of export revenue, would suffer the most

Proposed carbon taxation in the EC would lift the price of energy for industry by 61% for coal, 40% for fuel oil, 31% for natural gas and 16% for electricity

For residential and commercial consumers, the cost of oil-fired heating would climb 17%, natural gas 12%, and electricity 14% Petrol and diesel costs would rise by 6% and 19% respectively

Tinney said coal had the highest carbon content for every unit of energy, twice that of natural gas, with a smaller margin compared with oil, petrol and petroleum gas

Inflation, high costs erode export position

B/Day 18/6/92 (182)

JONO WATERS

LARGE cost increases and rising inflation were eroding SA's competitive position in export markets, Randcoal CE Allen Cook said at the recent Australian Coal Conference

Cook told the conference the position was made worse by the current recession, and fiercely competitive pricing, which induced low prices, knocked profits and deterred further investment in the country's coal industry

"Current contract price levels are barely adequate to provide a return on existing investments and are certainly not attractive in considering new investments," he said.

Spot prices for coal on export markets had tended to be lower than contract prices in recent years

This had led to producers having to decide whether they should accept lower prices or lose market share and cut production

With the lifting of sanctions, large potential markets had opened up — particularly in Japan, Korea, Denmark, France, Holland, UK and the US Western Europe had regained its position as the major market for SA coal

Since coal pits in Poland and the CIS had started to reflect their true operation costs, Cook said SA coal was price competitive in Europe now. (215)

He expected demand to increase in Western Europe and, in the long term, eastern Europe.

The main potential competitor in volume terms was the US, but if SA remained price competitive, Cook believed it could hold on to its market share in the near future

Spoornet had agreed to peg rail cost increases on the Richards Bay line to about half of current inflation rate levels over the next two years, Cook said

Are mines in on violence? – PAC

QUESTIONS are being asked about whether mining establishments are involved with the security apparatus in criminal activities, following the Goldstone Commission's discovery of arms at Greenside Collieries and the housing of 40 alleged Koevoet mercenaries at the mine's security premises. [redacted] 215

The PAC has demanded an immediate explanation from the Chamber of Mines, said publicity secretary Barney Desai. Clpress 28/6/92.

"FW de Klerk has always insisted there was no evidence implicating the security forces in the violence. Once more he has been proven wrong by a Commission appointed by his regime. Will he now act by instructing his subordinates to detain the management of Greenside Collieries for questioning?"

Coal producers warned about cost/price squeeze

BDay 29/6/92 JONO WATERS (215)

SA's coal producers have been warned of falling into the same cost/price squeeze which has played havoc with gold mining profits over the past decade

In the Chamber of Mines's latest newsletter, senior economist Francois Viruly said coal mines had already found themselves on a road similiar to the gold mines' — that of rising costs overtaking profitability

Gold's decline resulted from the disappointing price performance of the commodity since 1980, coupled with the gold producers becoming one of the world's highest cost producers within a few years, Viruly said

"A similiar trend is now occurring in the coal mining industry as coal prices have not been increasing," he said.

In 1986, SA was one of the world's lowest cost producers but, by the end of last year, costs had risen by 50% in dollar terms

While demand for seaborne coal was expected to grow over the next decade, SA faced increasing competition from Indonesia, Venezuela, Colombia and the US, he said

Export volumes from Indonesia, Venezuela and Colombia were expected to reach 33-million tons by 1995 and, while exports from Canada and Poland were declining, the threat of oversupply would be a lingering problem for exporters.

"In this environment, cost competitiveness becomes one of the key factors for securing market share This makes coal's progress along the cost spiral that gold took in the 1980s all the more worrying," he said.

SA's coal prospects on international markets would be dictated by the ability of the industry to contain working costs, the rand exchange rate and transport costs

Viruly said while collieries had little influence over the exchange rate and transport costs, they could control costs through productivity improvement

Containing working costs would become a major factor in determining the degree to which SA producers could hold onto their present market share, he said.

Coal exporters face pricing challenge

Finance Staff 215

STAR 29/6/92

The decline in profitability in the gold mining industry within the short space of a decade provides a valuable lesson for coal exporters

So says Francois Viruly, senior economist responsible for coal mining matters, in a report on the prospects for the coal industry, published in the Chamber of Mines Newsletter

Coal mines, he says, already find themselves on a road akin to the journey which led the mining industry's brightest star — gold mines — rapidly to forfeit profitability to rising costs

Gold's decline resulted from the disappointing price performance of the commodity since 1980, coupled with producers moving from the position of being the world's lowest-cost producers to one of the highest-cost producers within a few short years

"A similar trend is now occurring in the coal mining industry," says Mr Viruly, noting that coal prices have not been increasing.

While in 1986 South African collieries were among the world's lowest-cost producers, by the end of last year their costs had risen 50 percent in US dollar terms and they had been overtaken by rising coal exporters, Venezuela, Colombia and Indonesia

Though demand for seaborne coal is expected to grow in the next decade, South Africa is expected to face growing competition from these three countries, as well as from the US

The fledgling coal export industries of Venezuela, Colombia and Indonesia could build their exports to 33 million tons by 1995

Indications are that export volumes from Canada and Poland will decline, but it is expected that the threat of oversupply will be a lingering problem for exporters

"In this environment, cost competitiveness becomes one of the key factors to securing market share This makes coal's progress along the cost spiral that gold took in the 1980s all the more worrying," he says

South African coal's prospects in international competition will be largely dictated by

- The ability of the industry to contain mine working costs,
- The exchange rate of the rand, and
- Transport costs to ship coal to the markets

Collieries have little influence over the last two determinants of their future — making the influence that they do have on working costs of critical importance

It will, says Mr Viruly, become a major factor determining the degree to which producers can recapture and extend markets in the post-sanctions era, as well as hold on to their market share

"International competitiveness will be an issue that dominates as South Africa looks abroad, and cost control through productivity improvement will be an important factor in the drive to win and keep export orders against competition from low-cost suppliers"

The need for strict cost control is, he adds, heightened by the generally depressed trading conditions which currently exist in both South Africa's international and domestic coal markets

Clean-burning South African coal a winner

STAR 21/7/92

(215)

South African coal in world export markets is likely to escape costly environmental legislation because of its relatively low sulphur content and clean burning properties, according to Syfrets mining analyst Peter Major.

In the Syfrets Economic Review, Mr Major says in the event of a carbon tax, currently being mooted in European Community anti-pollution policy, South African coal producers should get off fairly lightly.

"Should the tax be implemented, South Africa's low-cost, low-sulphur production would be less affected than most other countries' producers," he says.

Total world coal production of 4,7 billion tons a year is split 70/30 between hard, cleaner-burning "black" coal and soft, dirty and inefficient "brown" coal.

"Continued growth of over two percent per annum is forecast for the next decade, with overall production of brown coal set to fall dramatically for environmental and economic realities," Mr Major says.

"Demand for the low-cost steam coal from the world's main exporters — the US, Australia and South Africa — should grow well over two to three percent as most European production is highly uneconomic."

Another major South African mining industry set to benefit from increased environmental awareness is the platinum group metals industry.

The platinum group metals — platinum, rhodium and palladium — are used in the manufacture of autocatalysts, which reduce motor vehicle exhaust pollution.

"Platinum group metals probably show the best fundamentals of all minerals in the world today," Mr Major says.

"Both jewellery and autocatalyst offtake set new highs in 1992 and should continue to grow with better world economies and increased clean air regulation," he says — Sapa.

Sasol's Sigma Colliery due for R115m expansion

(215)

B Day 7/7/92

JONO WATERS

SASOL Coal's Sigma Colliery would undertake a R115m strip mining venture as an extension to its underground operation, Sigma GM Koos Coetzee announced yesterday

He said the operation, which was due to start in August, would produce an annual output of 2,8-million tons Sigma's coal production currently stands at 7-million tons a year

Coetzee said it was the most viable and economical option to follow to maintain the supply of coal to Sasol One He said the strip mine expansion was a necessity as the existing underground mine had limited resources and difficult geological conditions

"This expansion will ensure long-term production at Sasol One as well as contributing towards viability of satellite industries and ancilliary services in Sasolburg " Coetzee said an independent specialist had found the project did not pose any real threat to the environment Rehabilitation would be done simultaneously with mining

STAR 10/7/92

Coal prices continue downwards

(215)

LONDON — World coal prices are continuing to fall steadily as the return of South Africa to the market adds to the over-supply.

South African coal is now selling at about $26 a ton and can be delivered to Europe at less than $32 a ton

Only a few months ago many European buyers made contracts for coal at this level, free on board, at South Africa's Richards Bay terminal.

South Africa's return to markets in France, Denmark and the US is only part of the problem in the severely over-supplied market

In addition to millions of tons of uncontracted South African coal looking for buyers, the former Soviet Union has been pushing coal through export terminals in the Baltic and the Black Sea.

As a result Russian coal can be delivered to the UK for $37 a ton, compared with $45 at the start of this year

If anything, the situation is likely to worsen with the rapid expansion of Indonesian exports now beginning to get into its stride and, from next month, the start of big ship (Capesize) loading at a second Colombian port in Santa Marga from one of Colombia's private coal exporters, Prodeco.

The international market for steam coal is continuing to expand rapidly — a path it has been on since the mid-1970s.

The trouble is that new mine development, and perhaps more important, expansion of output at existing mines through better equipment and more flexible work practices, have proved more than a match for the pace of expanding demand.

The great brake on excess production in years gone by has been strikes, with major disruptions in Australia, Poland and the US keeping price collapses at bay. Years of industrial peace have put an end to this.

It is a reflection of the inability of the industry to keep itself in balance that reports of a likely major strike in the US early next year are being treated as the solitary ray of hope.

Such hope may prove unfounded, however.

A shut-out at one of Canada's major coking coal pits (Westar), coupled with a strike at another (Fording), combined with a roof-fall halting production at New South Wales' Kemble Coal and Coke, have failed to lift coking coal prices as much as one cent — Financial Times

Colliery now faces liquidation

215

STAR 10/7/92

A coal mining company which owes millions of rands was provisionally liquidated after its parent company brought an urgent application in the Rand Supreme Court yesterday

Foston Ltd brought the application against Rapphos Holdings, which trades as New Arbor Colliery in Witbank

Foston board chairman Glenn Laing said in an affidavit that Rapphos owed its parent company R3 412 252 and that its liabilities exceeded its assets by R3 841 240

Another company, Andru Mining, had already obtained a judgment against the colliery. Liquidation was sought to prevent this company becoming the preferred creditor.

Foston also feared that the premises could be abandoned, leaving it open to theft and vandalism, because Rapphos could not pay employees. The mine also owed royalties to the owner of the property.

Mr Justice P E Streicher postponed the case to August 11. — Court Reporter.

Coal mine cannot pay salaries

B/Day 10/7/92

SUSAN RUSSELL (215)

WITBANK coal mine New Arbor Colliery, which has debts of R5,7m and is unable to pay staff salaries due today, was provisionally liquidated in the Rand Supreme Court yesterday

Rappfos Holdings, which conducts its business under the name of New Arbor Colliery near Kendal in the Witbank district, is a wholly owned subsidiary of Foston Ltd which brought the urgent application for the winding up of the mine.

Foston chairman Glenn John Stuart Laing, said in an affidavit that Rappfos was insolvent with assets amounting to R1 891 000 as opposed to liabilities of R5 732 240.

Laing, who is also a director of Rappfos Holdings, said the company owed Foston R3 412 252 on an unsecured loan account which was now due and payable.

A creditor, Andru Mining, which was owed R460 000 had already obtained judgment against Rappfos Holdings, he said.

Laing added that the winding up of Rappfos Holdings was urgent because the company was unable to pay salaries and wages to employees today.

This meant that employees would refuse to return to the colliery, leaving the company's assets unprotected and vulnerable to theft and vandalism.

The company had also been unable to pay the monthly royalty due to the owner of the mineral rights who was now entitled to cancel Rappfos Holding's rights to mine at the colliery.

MCCARTHY/PREFHOLD

How well will they mix?

FM 24/7/92 (215)

McPref, abbreviated trading name of the group to be formed by the McCarthy/Prefhold merger announced this week, seems as unlikely as the business mix

Respective chairmen Brian McCarthy and Terry Rosenberg say individual businesses under the proposed McCarthy Prefcor banner will remain highly focused. Combined operations are not envisaged, so don't expect to see the latest motor vehicles in Game department stores or luxury beds in upmarket McCarthy dealerships

Still, the financial benefits remain vague, especially as financial effects will only become clearer when circulars to shareholders are published in September

McCarthy and Rosenberg are excited by the deal and list what they consider the more obvious benefits For investors, gauging future share performance is more difficult.

McCarthy will issue junior and senior convertible debentures to match those already listed by Prefhold, as well as ordinary shares on a four-to-five basis, to acquire 75% of Prefhold's share capital McCarthy will sell its existing assets to Prefcor for shares, regrettably effectively becoming a pyramid, and seek a transfer from the motor to the retailers and wholesalers sector.

It's clear that McCarthy, with its solid record for asset management, needed to grow With prospects for new vehicle sales bleak (despite increasing its share of the new vehicle market to about 14% for the first half, unit sales fell 8% and earnings 12%), it has been actively diversifying.

The 36% holding in Midas was an expansion into related business, but management has continued to look for "significant" opportunities in other areas of retailing Mass retailing of consumer semi-durables and clothing seems a surprise choice But McCarthy says the decision was based on Prefhold's strong management and the "exciting potential of the mass market."

For Rosenberg, the opportunity to get the best returns from combined turnover of about R4,5bn is an interesting challenge — which may partly explain his excitement Since Prefhold's listing, he has shown a creative approach to banking, setting up Firstpref with FNB to carry the HP book

A similar financing operation could be extended to the motor side, particularly for used car sales, though Rosenberg says close co-operation with the banks will be needed Prefhold is also understood to be working on an HP insurance package This, too, could probably be applied to vehicle purchases. While admitting he still needs to learn about the motor business, Rosenberg says when he sees a product like a new car, he sees a financial package at the same time

Other, more direct advantages will come from rationalising the two computer systems and drawing on Prefhold's data base of 1m clients.

While Anglo ends up with a smaller interest, young and entrepreneurial management come on board But the real value might be in extending McCarthy's products to the emerging mass market. Leslie Boyd, chairman of Amic, which holds 37% of McCarthy, admits a venture into mass retailing is new for Anglo But, he says, besides being impressed by Prefhold's management, that's what Anglo considers is the future market.

Rosenberg and McCarthy ... *forming a new team*

Prefhold CE Hymie Sibul seems to get to the point when he says his group can teach McCarthy a lot about selling to the black market Strange as the bedfellows may seem, the merger has interesting possibilities.

Shaun Harris

COAL SHARES

Losing value (215)

Coal shares are trading at or near their year's lows as investors accept the message analysts have been trying to get across for months — all is not well on the coal export markets

Reasons are an oversupply of steam coal which is driving dollar spot prices down, the strength of the rand against the US dollar and inroads being made by new competitors into markets traditionally supplied by SA producers FM 24/7/92

Spot prices have dropped to around $25,50 fob Richards Bay, compared with contract prices around $30/t — depending on quality — negotiated at the beginning of the year The steady decline in spot prices has the SA coal companies worried about this year's level of exports and negotiations that will start from about November for contract prices and deliveries in 1993

Worsening the effect on earnings is the recent weakness in the dollar, which has led to an unexpected strengthening in the rand The dollar is worth R2,73, when most exporters believed the rate would be around R2,90 and heading rapidly for R3,00

Amcoal in 1990 held back coal sales because it thought spot prices were too low and management preferred to leave the coal in the ground. Amcoal's exports dropped 5,7% to 9,93 Mt for the year to March 1991, from 1990's 10,53 Mt.

Amcoal chairman David Rankin declines to comment on his group's strategy on spot market sales given present price levels, but the group is forecasting lower attributable earnings for this financial year

RandCoal CE Allen Cook adds new producer Indonesia is taking business from the SA coal exporters in the Pacific Rim "They are selling very good quality coal which is almost cashfree for as little as $28/t and they also have a freight cost advantage over us," he says

All the major SA exporters try to avoid undue exposure to the spot market by selling as much of their expected output as they can on long-term contracts at higher prices Even here they are coming under pressure Many of the sales contracts allow the buyer to take certain volumes on option Buyers are threatening not to exercise the options unless the price comes down because cheaper coal is readily available on the spot market

Latest threat is the declaration of a dispute between the National Union of Mineworkers (NUM) and the Chamber of Mines over this year's wage negotiations for the collieries. It follows declaration of a dispute three weeks ago by the Council of Mining Unions (CMU) over the coal mine pay negotiations The CMU is asking for a 12,5% increase against the Chamber offer of 9%, the NUM's demands range upwards from 15%, compared with the Chamber offer ranging from 7,5% to 13,5%

The NUM and CMU are digging in their heels because, looking at the recent expansion of capacity at Richards Bay Coal Terminal and new developments at various mining groups, they feel the industry can afford to pay high wage increases

The unions reject the view of coal company executives who maintain that, if they continue to grant unrealistically high wage increases, the coal industry could soon be in the same situation as the gold industry SA's gold industry went from being on average the world's cheapest producer to the most expensive in a few years

SA coal executives are watching apprehensively as new producers like Indonesia come on stream at the bottom of the world

continued

FOX FM 24/7/92 (215)

industry cost curve and steadily push the SA companies into the higher cost brackets.

Brendan Ryan

Downward spiral of coal stock gains pace

BIDAY 30/7/92 (215)

MATTHEW CURTIN

THE downward spiral of stock on the JSE's coal board gathered pace yesterday, with market leader Amcoal losing 300c to close at R93. Amcoal shares fell nearly 20% in the past month, losing R20 as bearish sentiment on export opportunities for SA producers gripped the market.

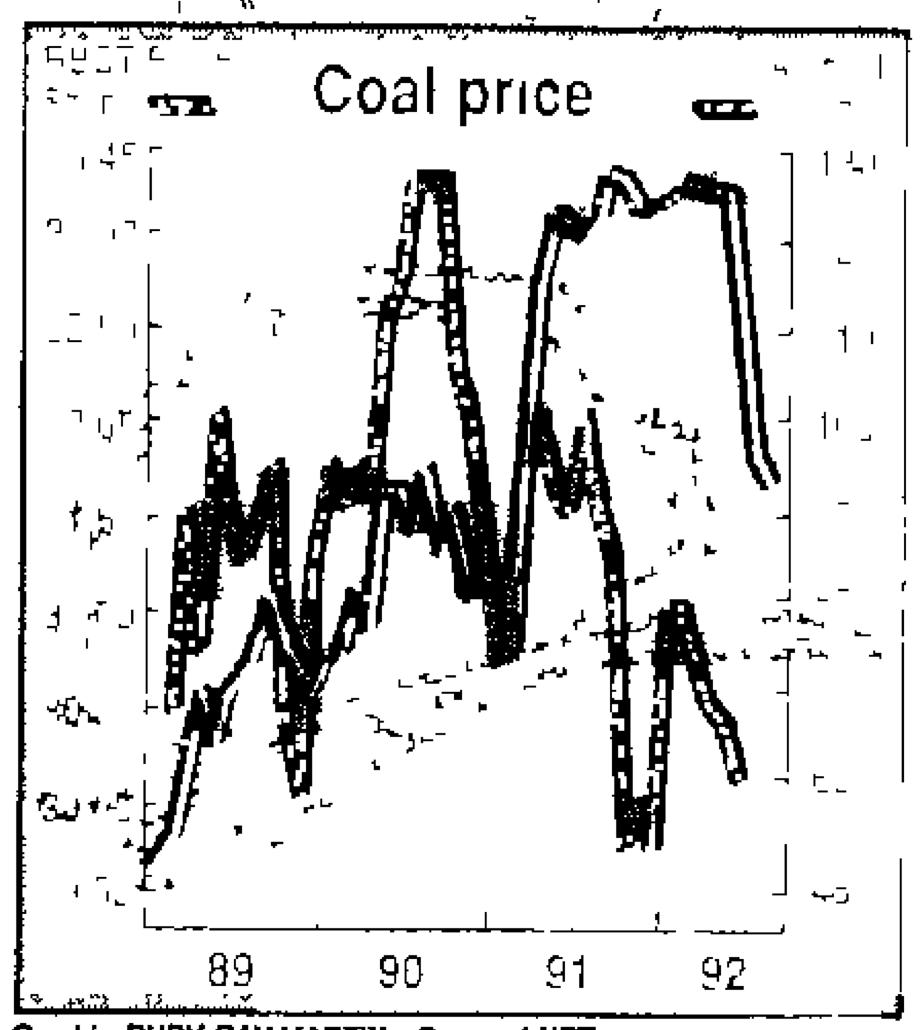
A leading analyst said yesterday it was important to note that the sector was thinly traded and often suffered from a lack of liquidity. Shares had overreacted to good news — such as the promise of an end to sanctions from early 1990 to late last year — and the current gloom. The JSE coal index fell nearly 5% or 144 points yesterday, closing at 2 875, its lowest level since March last year.

The analyst said one or two institutions had offloaded much of their holding in coal shares. Bearish sentiment was fuelled by a number of factors. An important concern was that European utilities were cutting back for fear of carbon taxes in favour of cleaner gas fuelled power stations.

At the same time, the prospect that SA exporters would win a much larger share of the international steam coal market with the lifting of trade embargoes was now fading as competition from low-cost, good-quality Indonesian and Latin American products increased. SA companies were also hit by static rand coal prices, as dollar prices weakened and the SA currency remained relatively strong.

He said producers most likely to weather poor conditions were those with low-cost Eskom contracts, such as Randcoal.

Smaller exporters, such as Kangra Coal, Duiker Exploration and Gold Fields coal, would depend on consolidating their hold on niche markets for high-quality low-ash (environmentally friendly) export coal.



Graphic RUBY-GAY MARTIN Source I-NET

The weak export market could temper plans by some coal companies to build a second coal terminal capable of handling 10-million tons a year at Richards Bay. Portnet had commissioned a feasibility study for the project, and it was understood that Sasol was a key backer.

Portnet officials were not available for comment yesterday on the progress of plans for the "Red Terminal", but a Sasol spokesman said the state of the export market was not a matter for concern for the group at this stage.

He said that the new Syferfontein colliery, set up to supply Sasol 2 and Sasol 3, would have extra capacity at full production which could be exported. The mine was near full capacity, but the small amount of export quality coal already available was being fed to the petrochemical plants.

Flat earnings forecast by analysts for Trans-Natal

6/0A-1 11/8/92 (215)

TRANS-Natal Coal (TNC) was expected to report flat earnings in the year to end-June 1992, partly because of weaker world coal prices and adverse exchange rate movements, analysts said in Johannesburg yesterday.

Trans-Natal, SA's biggest coal exporter, is due to release its annual results tomorrow.

Most analysts forecast maintained to slightly higher earnings, at 172c to 180c a share, from a previous 172c, and expect the dividend for the full financial year to hold at 75c or increase to 80c.

Key factors will be the level and value of exports achieved, and expected increased efficiencies at its restructured Doornfontein mines, where performancewas hit by closure of two power stations in 1991.

James Allan of Anderson Wilson Partners forecast a 14% earnings rise to 196c on higher than expected export volumes.

But Dave Russell, of Irish and Menell Rosenberg, said two factors would hit export gains.

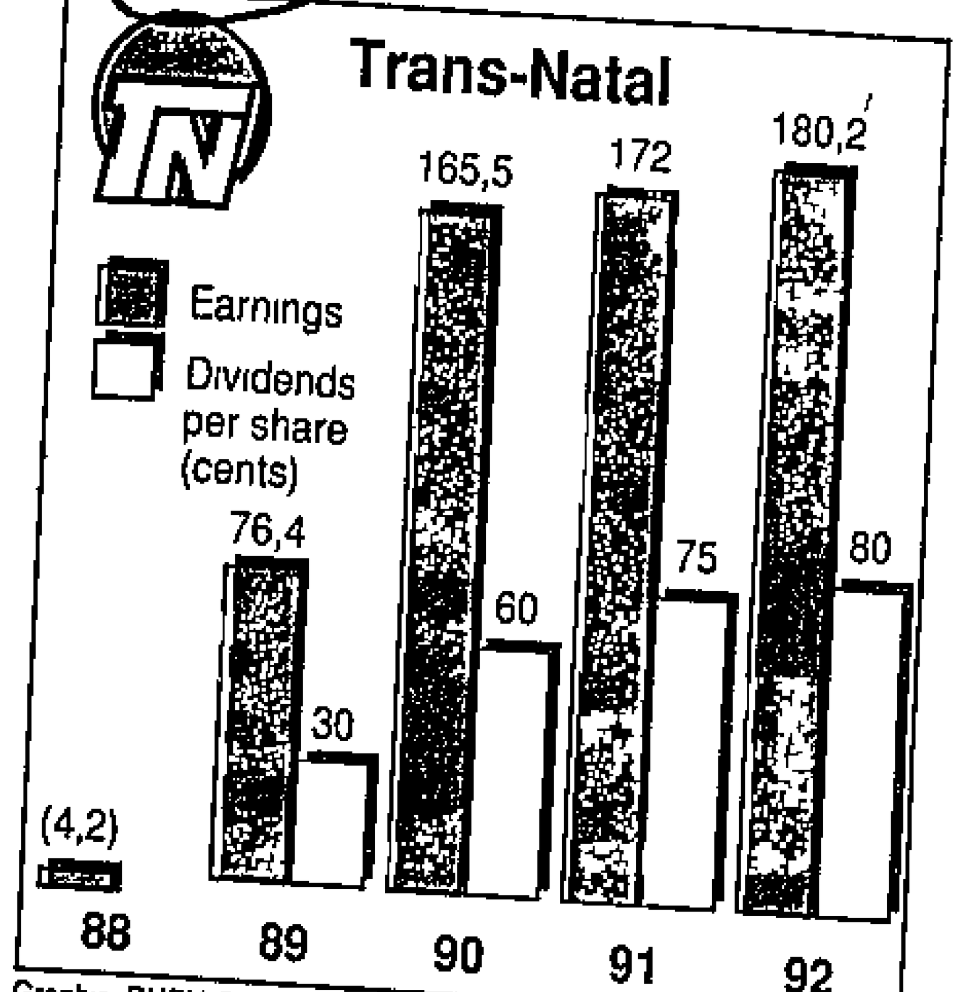
"The rand has appreciated against the dollar, and coal spot prices have plunged from £33 a ton FoB from Richards Bay in its first half to a current £26.

"There's no way Trans-Natal, due to renegotiate contracts in April, could have received much better than current prices," he said. — Reuter

Trans-Natal dented by doubled tax bill

BDAY 13/8/92. (215)

MATTHEW CURTIN



Graphic RUBY GAY MARTIN Source I NET

A STEEP rise in Trans-Natal's tax bill dented the group's improved performance at the operational level in the year ended June 1992. Trans-Natal sold more coal overseas, won better prices on its international contracts and improved the productivity of its mines.

However, MD Mike Salamon said yesterday the company, SA's largest exporter of steam coal, would not repeat its performance in the current financial year because the local and international economies were so depressed

Trans-Natal reported a 4,8% rise in earnings to 180,2c from 172c a share in 1991. The group declared a 6,7% higher total dividend of 80c (75c).

In 1992, total sales tonnage fell to 26,5-million tons from 27,5-million tons Export volumes rose 6,6% to 11,3-million tons from 10,6-million tons, but local sales fell further. Trans-Natal sold 9,8-million tons (11,2-million) to Eskom and 5,4-million tons (5,7-million) to other inland markets

Sales revenue rose 9,6% to R1,6bn from R1,4bn, with the total cost of sales up only 7,3% at R1,3bn from R1,2bn Operating income rose more than 25% to R226m from R180m as the group's operating profit margin improved to more than 14% from just under 13% last year Pre-tax profit increased to R200m from R162m

□ To Page 2

Trans-Natal

BDAY 13/8/92 (215)

□ From Page 1

However, Trans-Natal paid more than double the amount of tax — R56,1m, up from R24,9m. Salamon attributed this to improved profits, an end to export allowances and less favourable deferred taxation benefits. After-tax profit rose to R144m from R137m, and with no extraordinary items in the period, equated to attributable income.

Salamon said exports had contributed 68% of turnover in 1992 compared with 64% last year. The group's sales to Spain and Germany and to Japan increased, but fell elsewhere in the Pacific Rim.

He said international competition was fierce, and with increasing supply from Russia and Indonesia in particular, spot prices were several dollars below the prices of sales contracts the group had secured for 1992. Russian supplies were coming on the market at a dollar cheaper than any other material, but their quality and reliability were not consistent.

In the current financial year Trans-Natal would be protected from weak market conditions by exchange rate forward covering and because yearly sales contracts ran into the 1993 calendar year

In SA, Salamon said, the group had finally shrugged off the effect of Eskom's closure of its Komati and Camden power stations, which the Koornfontein division had served.

The group's sales of metallurgical coal were hit badly in 1992, particularly by the closure of ferrochrome furnaces and cutbacks in the iron, steel and vanadium industries in recent months.

COMPANIES

Mac doesn't 'phail' in its results

JONO WATERS

COAL distributor Macphail's 20% increase in turnover and strong liquidity position enabled the company to increase earnings for the six months to June

Earnings a share rose by 7% to 18,7c (17,5c) and an unchanged dividend of 5,5c a share was declared

Macphail, a subsidiary of W & A corporation, increased its turnover to R143m from R119m, but its pre-tax profit increased marginally to R4,81m from R4,75m. Profit after-tax rose by 4% to R2,77m

CE Sidney Weintroub said the good results in difficult times resulted from the company's strong liquidity position The fact that it had had R9m on deposit at the end of June helped to contribute to the maintenance in earnings.

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However, Weintroub said ~~he expected~~ difficult trading conditions in the second half of the year and predicted that earnings a share would increase marginally at the year end BDAY 13/8/92.

W & A chairman Jeff Liebesman said the tighter market conditions had squeezed margins and as a result there was a only a 1% increase in pre-tax profit. W & A owns 63% of Macphail.

Trans-Natal delivers goods

STAR 13/8/92

By Derek Tommey (215)

The stock exchange has been running scared of Trans-Natal for the past seven weeks, knocking its share price by 35 percent from 1300c to 900c

But year-end profit figures from this major coal producer issued today suggest the sharp price fall may have been overdone.

Chairman Mike Salamon reports that Trans-Natal increased pre-tax profit by 23,3 percent to R199,7 million in the year to June.

However, the increase in profit and changes in tax laws caused the tax charge to more than double from R24 million to R56,1 million.

The higher impost limited the rise in taxed profit to four percent — from R137,1 million to a record R143,6 million.

Earnings a share were static at 180,2c (180,4c) But with cash in hand, this has not stopped Trans-Natal from increasing its final dividend from 53c to 57c.

It brings the total dividend payment for the year to 80c, against 75c last year

This puts Trans-Natal shares on a highly attractive 8,9 percent dividend yield and a 20 percent earnings yield.

The improved earnings are mainly the result of increased export sales, which rose almost seven percent to 11,3 million tons

Mr Salamon says this was largely the result of greater demand and market share in Spain, Germany and Japan

The bad news is that he does not think Trans-Natal will be able to maintain current earnings in the 1992-93 financial year

Spot coal prices have been depressed by the downturn in the world economy and offers by Russia and Indonesia of significant quantities of low-cost coal

This has negated any short-term benefits South Africa might have received from the lifting of sanctions It could also affect the 1993 coal price

Chamber, NUM clinch deal for coal mines

BDAY 14/8/92. (215)

DIRK HARTFORD

THE Chamber of Mines and the NUM have settled on wage increases for coal mines which range from 7,5% to 15,1%

The NUM's assistant general secretary Marcel Golding said its negotiating team had recommended its members accept the offer

This was because of the "circumstances in the coal industry and our country today".

The wage settlement varied widely between the mining houses Average wages were 13% at Amcoal, 12% at Trans-Natal, 11% at Douglas and Duiker, 9% at Goldfields and 8% at JCI and Iscor

All collieries agreed to increase employer contributions to the provident fund by 1%, bringing their total contribution to 6% However, Goldfields will only make this contribution if its employees also pay an extra 1%

Amcoal, Trans-Natal and Randcoal have also agreed to discuss an agency shop with the NUM

The Chamber, for both gold and coal mines, will now give shaft stewards five days paid leave for NUM training courses, pay for the lost shifts of NUM national negotiators, and encourage mines to employ full-time shaft stewards and to enter into arbitration for dismissal cases

The NUM will also have a representative on the board of the Rand Mutual Assurance company which pays benefits to injured workers and their families

now a model mine

STimes 16/8/92 (215)

By RYAN CRESSWELL

WHITE and black miners and their families live and work side by side in harmony on the biggest colliery in South Africa.

A township for lower-income married couples and the hostels for mineworkers at Durnacol Colliery, near Dannhauser in northern Natal, now house blacks, whites, Indians and coloureds

The 3 000 miners work shoulder-to-shoulder and many whites are doing jobs underground that were once reserved for blacks

A proud white miner recently became a "shift boss" — at one time a person holding this position was called a "boss boy"

Until now mines have tended to be hotbeds of racial friction

But at Durnacol all that changed when 2 000 black miners were fired in March after staging an illegal strike and allegedly holding a number of white and Indian miners hostage underground

At the time the black miners claimed there was racial discrimination on the mine and there had been a number of unfair dismissals

But management said the miners were unhappy because they had expected massive increases this year

After the mass dismissal, the word went out that there was work at Durnacol and more than 10 000 people from all over the country made their way to the mining village Many of them were whites who had lost their jobs and owned virtually nothing.

According to Durnacol's personnel manager, Mr Hennie Nel, the miners were tested for jobs regardless of "race, sex, religion or political affiliation"

He said Durnacol was leading the way for the rest of Iscor and many other mining companies

Mr Nel said "We have been running a programme to eliminate racial discrimination for two years

"All reference to race has been wiped from our computers.

"I think this new way has tremendous potential In just three months our new staff has the mine up to 60 percent production"

Mr Nel said workers on the mine met every morning to discuss any personal problems they had with their immediate superiors.

They were allowed to grade their superiors' performance and communications skills.

One shaft boss allowed his mostly black section leaders to investigate any mine injuries rather than bring in senior specialists.

Mr Nel said everyone on the mine would go on a three-day course in groups of 30 with a specially trained "trans-cultural facilitator"

"Everybody is living in harmony but the cultural programme is to make sure there are no slips," he said

Things started changing on the mine about two years ago when three clubs on the mine opened their doors to everybody.

Now people seem to be getting on fine in the township for the mine's lower-income workers.

Operator Dave Knepscheld, 36, moved from Durban in April

Curtains

"I have more Indian and black friends here than white ones

"I was the first white guy to move in here and the blacks made sure my wife and I weren't short of anything," he said

Mrs Franscisca Moroka said when the white families moved in some of them did not own anything

"We gave them cupboards and curtains

"There have been no problems," she said

Families pay only R10 a month for their neat three-bedroom houses

There is also racial harmony at Number Five hostel, which houses about 2 000 single workers. There are about 70 white miners living in the hostel.

Plumber Dave Burger, 27, arrived at Durnacol after being retrenched at Saldanha Bay.

He has now spent four months at the hostel sharing facilities.

"There have been no problems," he said, adding that the food had improved. "At one stage they seemed to cater solely for the tastes of black people."

The miners live in dormitories and share a communal dining hall.

Hostel manager Mr Piet Rousouw said there had been no incidents in the hostels since March.

COMPANIES

Green light for coal terminal study

JONO WATERS

A CONSORTIUM of coal producers had given the green light to a feasibility study into the construction of a second coal export terminal at Richards Bay, Sasol spokesman Jan Krynauw said yesterday.

The South Dunes Coal Terminal, as it would be called, would have an initial capacity of 10-million tons a year.

The study, commissioned by the Coal Export Joint Venture, would be completed by June next year, Krynauw said.

Members of the venture are Agipcoal, Anglovaal Coal, Duiker Exploration, Gold Fields Mining and Development, Iscor, McPhail, Sasol and Tselentis Mining.

He added railing capacity to Richards Bay and terminal land had been secured.

Joint Venture chairman Peet Steyn said although current coal prices were low, the proposed exports would make a large contribution to foreign exchange earnings.

The Richards Bay Coal Terminal has an annual capacity of 53-million tons and is jointly owned by Amcoal, Randcoal and Trans-Natal.

(215)

Amcoal chairman Dave Rankin said in this year's annual report there were dangers in over-estimating the extent of the share of the international coal markets SA exporters could reasonably command.

His views were echoed by Trans-Natal MD Mike Salamon, who said any addition to SA's exports would not be beneficial to coal price developments.

2nd terminal for Richards Bay?

CT 18/8/92 (215)

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Talks on mining

(220) (215) (226)

■ SA firm in Nigerian coal venture:

Sowetan 20/8/92

LAGOS - Representatives of a South African mining company are in the south-eastern Nigerian state of Enugu to discuss exploiting coal and other mineral resources, the *News Agency of Nigeria* (NAN) said yesterday.

The agency said a six-man delegation from Terra Exploration and Development Company which arrived on Monday was also interested in supplying mining equipment.

South African businessmen had talks in Lagos in May and another team is expected this month.

Len Hindmarch, managing director of Terra Exploration, told NAN the company had facilities to exploit coal and other minerals and to manufacture coal-handling equipment. - *Sapa-Reuter.*

COAL EXPORTS FM 21/8/92

New terminal study (215)

Investigations into the feasibility of constructing a second coal export terminal at Richards Bay are moving ahead Referred to as the South Dunes Coal Terminal, the new facility will have an initial capacity of 10 Mt

Sasol assistant GM Peet Steyn says a joint venture committee has been established which embraces representatives from Agipcoal, Anglovaal, Duiker, Gold Fields Mining, Iscor, MacPhail and Tselentis Mining Sasol has taken the lead role

Steyn says the joint venture has secured railing capacity to Richards Bay from the Transvaal coalfields from Transnet, as well as a suitable site in the area of the port However, he confirms that an alternative would be to expand the existing Richards Bay Coal Terminal (RBCT) facility, privately owned by the existing major exporters "We will be involved in discussions with representatives of the RBCT," he says

The inability of RBCT to satisfy the re-

FM 21/8/92 (215)

quirements of independent coal producers seeking to break into the export market has long been a bone of contention in the industry Sasol, one of SA's major coal producers, has for some time been examining the possibility of turning to account its higher grade deposits by exporting

RBCT has an export capacity of about 53 Mt a year, all of which is already allocated The most recent expansion of the RBCT facility from 44 Mt to the present level cost about R285m Steyn declines to be drawn on any early estimates for the proposed new terminal.

It is estimated the South Dunes terminal study could cost up to R1m and will be completed by June next year Steyn says he estimates the construction period for the proposed terminal to be about two years from the time a decision to proceed is taken

David Gleason

Board to probe coal distribution sector

B/DAY 28/8/92

PETER DELMAR

THE Competition Board is to investigate restrictive practices in the wholesale coal distribution sector following complaints against MacPhail Holdings

215

The board said yesterday complaints had been lodged "that MacPhail has now reached a position where it is the dominant company in this market segment and is involved in practices which are aimed at strengthening this dominant position"

For the purposes of the investigation, the market excluded the supply of coal to Eskom, Iscor and Sasol

MacPhail CE Sid Weintroub said he did not believe the probe was justified

"A lot of our competitors are saying we are growing a bit more than we should," Weintroub said, adding that competition was particularly fierce in the coal distribution industry's current difficult conditions

MacPhail is SA's largest coal distributor and its turnover increased 20% in the six months to end-June, despite lower domestic coal consumption and increased pressure on export volumes

Coal accord gives a warm glow

215

W/Mail 28/8-3/9/92

By MONDLI MAKHANYA

THE Chamber af Mines and the National Union of Mineworkers yesterday signed a wide-ranging settlement for the coal mining industry which will protect sick or injured workers from unilateral dismissal and give the union representation on the Rand Mutual Assurance Company

The settlement, which followed the declaration of a formal dispute by the NUM, grants pay rises of between 7,5 percent to 15,1 percent for the different groups The NUM's opening demand was for 20 percent.

Major progress was also made in the area of the elimination of free-riders — non-union members who benefit from union negotiated deals Several houses have undertaken to discuss this further with the NUM. The two parties are also going to discuss the revision of the Occupational Safety Act, which gives white miners more compensation than black miners suffering from the same disease

Featuring prominently is an agreement to give the NUM representation on the Rand Mutual Assurance Company, which deals with compensation for workers injured on the job.

But the most significant aspect is that the union will be consulted before sick or injured workers are dismissed.

A "principles and values clause" in the agreement will set in place rehabilitation programmes that allow employees to recover from injuries or sicknesses while retaining their jobs

Other areas of agreement include an increase in the Employer Provident Fund contribution from five to six percent, the payment of workers involved in negotiations, increased paid leave for shaft stewards and the elimination of the five percent union subscription administration fee.

Coal miners score historic wage deal

STAR 28/8/92

215

By Thabo Leshilo
Labour Reporter

The National Union of Mineworkers (NUM) and the Chamber of Mines yesterday signed an historic wage agreement with far-reaching implications for the welfare of about 400 000 miners in the coal industry

The results of four months of intensive negotiations, the agreement was signed at the chamber's Johannesburg head office.

The agreement provides for wage increases ranging between 7 and 15 percent and major improvements in the chamber's contributions to employee retirement benefits, as well as life and funeral benefit insurance.

Most importantly, the document contains comprehensive agreements on principles and values applicable to employees with statutory occupational diseases and injuries suffered on duty

"It breaks new ground," said the chamber's industrial manager, Adrian du Plessis NUM's Marcel Golding concurred

The implementation of the agreement has been backdated to July 1 this year The main points are

- Coal mines in the Gold Fields group which recognise the union will increase workers' holiday leave allowance from 80 percent to 82,5 percent of basic pay
- The chamber's contribution to the Mineworkers' Provident Fund will be increased from 5 to 6 percent
- The parties recognise the important role of fulltime shaft stewards and will discuss their appointments.
- Mines that recognise the NUM shall grant five days' paid leave a year to shaft stewards to enable them to attend trade union courses
- Mines will pay union delegates for shifts not worked due to their attending meetings between the NUM and the chamber for industry-level negotiations Delegates should give prior notice and their release will be subject to the mine's operational requirements
- The chamber has agreed to representation of the union on the board of directors of the Rand Mutual Assurance Company, which compensates miners
- The parties will make representations to the Department of Manpower to secure changes to the structure and procedure of the Industrial Council to expedite the handling of cases involving individual dismissals.

The parties will make joint representations to National Health Minister Dr Rina Venter to expedite the revision of the Occupational Diseases in the Mines and Works Act

The parties hope to sign a similar agreement for the gold mining industry

Taxi routes close in violent E Cape clashes

PORT ELIZABETH. — Taxi operations in the black townships of Uitenhage in the Eastern Cape have been suspended following violent clashes between rival groups over the use of routes

The feud has been simmering for months

An Uitenhage police spokesman described the situation as "terrible", but said calm returned yesterday after meetings between police, representatives of the two taxi associations and political organisations

(2K) CT 4/9/92

Bus services have been increased to help stranded commuters. — Sapa

Speculation on Australian mine deal by Trans-Natal

BDM 4/9/92

(215)

MATTHEW CURTIN

TRANS-NATAL could become the world's second largest exporter of coal, after Australia's BHP, if it decided to take control of Oakbridge Coal, market sources said yesterday

However, they said, there was no sign that Trans-Natal had committed itself to buying a controlling stake in Oakbridge, and the group could be evaluating other options in Australia

Trans-Natal issued a cautionary announcement yesterday after its shares rose from year-lows on Tuesday following a single R1m share deal, amid rumours that it had clinched a deal with Oakbridge

Analysts agreed that it made sense for Trans-Natal to gain a foothold in Australia, because of the better access it would have to the important and highly competitive steam coal markets in the Pacific Rim SA exporters were handicapped now by the high cost of transporting coal to the region in comparison with Australian and Indonesian competitors

The Gencor group, which controls Trans-Natal, has been involved with Oakbridge before.

Gencor had a minority stake in the company in the early '80s when it was a smaller operation based on the Baal Bone and Clarence mines in western New South Wales. Gencor sold its stake in 1983 because the group was not receiving adequate returns on its investment

An Australian market source said yesterday Oakbridge would be a sound long-term investment for a group like Trans-Natal if it was injected with badly-needed capital, and new management revamped its marketing division and cut costs

Oakbridge produced 8,6-million tons of steam and soft coking coal in the year ended June 1991, of which it sold 8,1-million tons It was the biggest Australian exporter of steam coal after CRA BHP exports mainly coking coal

Oakbridge's turnover stood at A$454m in 1991, with after-tax profit of A$14m

The source said Oakbridge had to buy in nearly 1-million tons of coal in 1991 to blend with its own production to meet customers' quality specifications Its Ellalong mine had run into a patch of high-sulphur coal, and the buy-ins hit Oakbridge's profits However, the problem could be remedied by upgrading the Saxonvale mine's washing plant to provide the right blending material

Oakbridge also owned the Bulga prospect, next to Saxonvale, which had large good quality open-cast reserves

He said Oakbridge had changed in character in the past five years

"The two biggest pluses at Oakbridge are the new Bulga mine, which has the potential to produce 7-million to 8-million tons of coal, and its ability to replace the buy-in tonnage which will improve profits significantly," the source said

Oakbridge shares were trading at A$0,65 this week. Trans-Natal stock was untraded at 950c on the JSE yesterday

Coal exports the key to Sasol's future growth

B/DAY 11/9/92 (215)

MATTHEW CURTIN

SASOL, SA's second largest coal producer, sees local and increasingly export coal sales as a key to securing the petrochemical group's long-term growth, says Sasol Mines GM Chris Cloete.

Cloete said yesterday that the construction of a new 10-million ton a year export coal terminal, backed by Sasol and a number of other small coal producers, best suited the group's export ambitions.

Even so, talks were continuing with Richards Bay Coal Terminal (RBCT) partners about the possible allocation of some of the terminal's theoretical 53-million ton a year capacity to Sasol.

A R1m feasibility study evaluating the new South Dunes Coal Terminal is expected to be complete in June next year, and Cloete said the project partners were about to appoint a project manager to oversee the study. The South Dunes project, formerly known as the Red Terminal, has come under fierce criticism from the RBCT partners, concerned that new exports would worsen the already sluggish export trade.

Sasol's Secunda and Sigma collieries produced 41-million tons of coal in 1991/1992, marginally less than the 43-million ton output from the country's biggest producer Anglo American Coal Corporation (Amcoal).

Cloete said production met demand for coal from Sasol 2 and Sasol 3, but speedy development of the new open-cast Syferfontein mine and expansion of underground operations at the other Secunda mines would give Sasol spare capacity.

Development of Syferfontein was complete but the mine would reach full production of 6-million tons a year only by the 1993/94 financial year, from current output of 5,5-million tons.

Sasol was evaluating plans to build a new multimillion-rand washing plant to upgrade some of Syferfontein's production and new underground output from Secunda for export.

The washing plant and excess production from Syferfontein would leave the group with 3-millions tons a year of coal available for export. That, combined with the improving productivity at the collieries, which Cloete said were the most productive in SA, provided the basis for Sasol's expectations that coal exports would be an area of real growth for the company.

Cloete said current market conditions were not good in the export coal sector, but the new coal terminal would be carefully evaluated and by the time it was likely to be built, he was confident that "natural market forces" would have improved the international supply/demand balance.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said Sasol had its sights on exploiting the export coal market in earnest from the mid-'90s.

As the owner of some of the lowest cost coal mines in the world, enjoying the benefits of economies of scale, and with its long experience in coal mining, Sasol was well placed to capitalise on improving market conditions in a few years' time, Kartun said.

Fraser Alexander pays a mint for a lesson

S/Times (B455) 13/9/92 (215)

DIAGONAL STREET by JULIE WALKER

FRASER Alexander chief executive Peter Flack is not the kind of man who talks about the weather.

But he was obliged to mention an unseasonally warm European winter of 1991-92 and the severe drought in this part of the world when he presented the group's results for the year to June to the Investment Analysts Society

Europe's warm winter might yet help the group if the coming one is cold because Fraser Alexander has large stocks of coal. Mr Flack says Fraser Alexander's United Kingdom coal outlet at Swansea was established as a rand hedge and sanctions beater through which it could export.

"We looked around to buy a company The only ones available had poor assets and poor management yet the sellers were looking for a premium on the purchase price of about 15 times earnings.

"We decided to invest the premium in school fees, which at R5-million have proved very expensive." Along the learning curve, the group was taken for a ride by two customers. The good news is that the cost is a one-off.

On the other elementary front, low rainfall in SA has meant fewer clean-up jobs because the number of blocked sump and sludge traps fell.

Otherwise, Fraser Alexander has learned well from nature's rules Its new corporate video draws parallels between the way both the company and nature adapt to changing conditions.

Two more lessons had to be learned in what Mr Flack calls avoidable losses. In one underground mining operation it was ripped off to the tune of R3-million by staff members. That was taken on the chin, although the R1,5-million cost of closure was written below the line.

The construction division at Venetia diamond mine sacrificed R1,5-million in the face of competition for the main tailings dams contracts

Finally, although this too might not be a disaster if new contracts are secured, R2,5-million was spent on research and development for discard handling.

Mr Flack put the losses at R12-million — twice the amount financial director Les Maxwell arrived at through a different perspective.

On turnover of R350-million and pre-tax income of R26-million, R12-million is a big knock. Nothing ventured .

Mr Flack says the group is likely to do a deal with West Rand Cons — an old gold mine facing closure. Fraser Alexander might be able to milk the last value from the mine more efficiently than current manager Genmin.

If it succeeds, other mines are ripening for the picking in the next few years and it could be a whole new line of work for Fraser Alexander.

As it moves into new fields, so too does competition from other companies rise when times are hard.

"When civil engineering companies catch a cold we get pneumonia because they undercut us on certain quotes and shrink margins. The bad news is that we don't get the work, but the good news is that they don't make any money out of it, and don't do such a good job."

Mr Flack concedes that Fraser Fyfe suffered a setback in not landing Everite.

But Fraser Fyfe was still one of the year's success stories. It successfully introduced an ore-pass system now sought by gold mines

Concrete lavatories are another winner.

But traditional work in reticulation piping and culverts is a cause of frustration. Mr Flack says the money, projects and capacity are all there, but it is impossible to work in townships. Even the concrete foundations are stolen overnight.

Other things happen outside management's control, such as the three-month closure of Samancor's ferrochrome plants which meant lower coal sales for Fraser Alexander It is hoped that that was also a one-off

Waste-Tech, last year's acquisition, performed beyond forecasts after management was tightened. The whole environment clean-up offers opportunities. Nobody in the world makes money out of recycling, except where a material of high inherent value, such as gold, platinum or diamonds, is concerned.

The clean-up of discards in an environmentally responsible manner produces some revenue from the good coal recovered to help meet costs. It also wins a lot of Brownie points

Much of the group's competition, ironically, comes from its own customers Mr Flack's task is to market Fraser Alexander as being able to do those jobs better and cheaper than the others do — and to make sure it delivers.

The analysts clearly rate its chances high, as they do for many companies, if only the politicians could get their heads together

Coal group's earnings dip

BfDAY 14/9/92

EDWARD WEST

FRIGATE Holdings continued to suffer losses in the six months to end-June 1992 ahead of plans to delist the coal group (215)

Its results, which showed turnover down to R5,2m from R33,7m, were not comparable with those of the corresponding period last year because of the disposal of the contracting division effective from June 30 1991

The group reported operating losses of R19,95m which translated into earnings losses of 59,9c a share. The dividend was passed

Directors reported that losses resulted from the oversupply of coal and poor metal and coal markets, compounded by a contract for the open cast mining of Frigate's reserves

Subsequently, the opencast mining contract was cancelled which resulted in an extraordinary loss of R17,6m. Coal mining activities had ceased and would only restart once there was sufficient demand.

SECTOR: ENGINEERING - see McGregor's

Big leap in earnings for Scharrighuisen group

BDAY 16/9/92

MATTHEW CURTIN

CONTRACT mining and plant hire group Scharrighuisen has reported a 25,2% leap in earnings in the six months ended June to 37,3c a share from 29,8c in 1991.

Scharrighuisen declared a 25% higher interim dividend of 12c (9c) a share, and announced it was planning to re-organise its corporate structure, to improve prospects of further growth and "unlock wealth to shareholders".

Joint MD Laurie Fisher said the restructured group would consist of a holding company and two operating subsidiaries, holding its mining and industrial interests.

Shareholders would receive a dividend in specie in terms of JSE requirements, and they should exercise caution in their share dealings until another announcement was made.

Scharrighuisen stock closed untraded at 395c yesterday, just off a year-high of 400c compared with a recent low of 290c in mid-July.

Fisher said in a statement yesterday that the group "achieved excellent interim results which reflect its continued growth and momentum, despite the prevailing economic conditions" The group's main business is contract coal mining and the rehabilitation of collieries, but it has ventured into opencast gold mining for Consolidated Mining Corporation subsidiary West Wits.

Turnover rose 38% to R52m from R38m at the interim stage last year. Pre-tax profit rose 31% to R14m from 10m, and with only a small increase in its tax bill, Scharrighuisen's after-tax income increased 40% to R10m from R7,3m.

The group's bottom line was boosted by a R10m extraordinary item, compensation stemming from renegotiated contracts which it had "with certain parties".

Scharrighuisen acquired the plant hire division of the troubled Frigate group last year, and began mining the group's coal mines

However, Frigate said yesterday it had stopped coal mining, having renegotiated its cancellation contract at a cost of R17m.

Fisher said Scharrighuisen had strengthened its balance sheet in order to minimise any possible effects of the current recession

Shareholders' funds were increased to R80m from R45m, reducing gearing overall to 32% from 43%, although long-term liabilities increased to R26m from R5m. Assets rose to R40m from R17m, against liabilities of R8,8m (R7m).

Meanwhile, the JSE agreed yesterday to the delisting of the Frigate at the request of its directors.

GM Richard Connellan said there was no reason for the exchange to stand in the way of delisting, given Frigate's parlous financial position. The company reported a R10m interim loss, and has large debts

Rand Mines considers plan to restructure

JONO WATERS

RAND Mines yesterday cautioned shareholders that a restructuring of the group was being considered.

The announcement, issued simultaneously in London and Johannesburg, follows hard on the heels of an earlier disclosure that the group was to vacate its historical Corner House headquarters in downtown Johannesburg

The move will see coal division Randcoal moving to Illovo, north of the city, while the gold division will move to Ormonde in the south. BIDAY

Analysts said yesterday the cautionary could be a prelude to the unbundling of the group or a major financial restructuring in the wake of the splitting of the divisions.

Rand Mines' chairman John Hall said last night that a full statement on the proposed restructuring would be issued by the middle of next week, but he would not comment further. 17/7/92

"I obviously cannot say anything ahead of shareholders being informed," he said.

Rand Mines's largest investment is in Randcoal. An analyst said the net asset value of the Rand Mines share was R60, of which Randcoal accounted for R42 and coal mineral rights about R11, while the balance was made up of interests in Harmony, Blyvooruitzicht, Durban Deep, ERPM and Barplats.

He said it looked as if the 100-year-old mining house could soon be disbanded, adding that shareholders stood to be offered 4,88 Randcoal shares for each Rand Mines share at the current value.

In an interview conducted before the release of the cautionary, gold division CE John Turner said Rand Mines' debt-laden East Rand Proprietary Mines (ERPM) could repay its loans before 2002, the date set down by the Melamet commission.

Turner said he was "optimistic" about ERPM's future and said with reasonable projections in the gold price a "very feasible scenario" could work out.

On the outlook for Rand Mines' other gold mines, Turner said the mines were efficient but suffered from low grades.

Trans-Natal foreign deal still in the air

STAR 24/9/92

By Derek Tommey (215)

Trans-Natal, one of South Africa's biggest coal producers, is not yet in a position to say whether its negotiations to buy a foreign company will come to anything, chairman Brian Gilbertson says in his annual statement to shareholders

On September 3 Trans-Natal issued a cautionary notice advising shareholders that discussions about a takeover of a foreign company had been held, but that it was too early to say whether anything would materialise

However, shareholders were advised to exercise caution in their dealings — another way of saying "don't sell your shares unless you have to".

Mr Gilberson says the cautionary was issued after press speculation about a possible Australian acquisition

The position detailed in the cautionary remains unchanged.

He says the outlook for South Africa's R5 billion a year coal export industry is deteriorating and that Trans-Natal does not expect to maintain earnings this year.

Trans-Natal exported 11,2 million tons in the 1991-92 financial year, and is obviously concerned about the trend in overseas prices

Mr Gilbertson says prospects for exports in the new financial year are less favourable than in the previous one

The depressed state of the major world economies and the increased supply of Russian and Indonesian coal have depressed prices in the spot market

Trans-Natal has sold already sold a material portion of its export sales at more favourable prices and exchange rates than those now ruling.

But the company will not be able to maintain its current earnings in the 1992-93 financial year.

Coal-washing

As a result, it is possible that the proposed construction of a coal washing facility at Koornfontein may be deferred, so that total capital expenditure will not exceed R200 million

Managing director Mike Salamon says the removal of sanctions has re-opened markets in France, Denmark, Germany, Holland, Japan and Korea.

But South African producers have not been able to benefit in the short term because they were not able to participate in the contract negotiations at the end of 1991

He is optimistic about the outlook for exports after 1993, but says a price increase of $5 to $10 a ton is needed to justify any extra investment in coal production

He warns that premature additions to South Africa's exports by way of the mooted "Red Terminal" could delay these price increases

COMPANIES

Trans-Natal reports earnings will drop

BIDAY 24/9/92

(215)

JONO WATERS

TRANS-Natal would not be able to maintain its present earnings in the 1992/1993 financial year, chairman Brian Gilbertson said in the group's annual report.

Consideration was also being given to deferring construction of the new washing facility at Koornfontein, so that capital expenditure would not exceed R200m, he said. Capex was budgeted at R258m for the 1992/1993 financial year.

Gilbertson said prospects for the year were less favourable because of lower prices in the spot markets. This was as a result of a significant increase in coal availability from Russia and Indonesia, and the depressed state of the world's major economies.

He said the group's position regarding an acquisition in Australia remained unchanged since the cautionary announcement on September 3. Speculation that Trans-Natal was to take control of Oakbridge Coal led to the cautionary which stated it was too early to indicate whether a transaction would materialise.

MD Mike Salamon said that capex was contained to R241m last year, about R100m below budget. Capex at Koornfontein this year would be R170m, which would be spent on the purchase of underground mining equipment.

Optimum Colliery's capex requirement for the year was R40m and would go towards infrastructural work in the Pullenshope reserve block.

Salamon said it was pleasing to note that capex on modernisation and mechanisation had borne fruit as Gloria was now SA's most productive mine.

Growth in SA's coal sector had been deferred for many years as a result of Eskom's overcapacity, but the expansion at Koornfontein would enable Trans-Natal to utilise its share at the Richards Bay Coal Terminal, he said. Sales to Eskom fell by 12% to 9,8-million tons.

Salamon said recent movements in the export steamcoal spot price and the rand/dollar exhange rate had not improved Trans-Natal's prospects for short-term financial improvements.

However, he said some of the negative effects of the coming year would be outweighed by the high proportion of contract sales already priced, as well as the prospect of new long-term contracts with forward cover of R3,01 $1,00.

Bleak time ahead for coal exports industry

DEREK TOMMEY
Weekend Argus Correspondent

ARG 26/9/92

JOHANNESBURG. — Trans-Natal, one of South Africa's biggest coal producers, is not yet in a position to say whether its negotiations to buy a foreign company will come to anything, says chairman Brian Gilbertson in his annual statement to shareholders.

On September 3, Trans-Natal issued a cautionary notice advising shareholders that discussions about a takeover of a foreign company had been held, but that it was too early to say whether anything would materialise.

However, shareholders were advised to exercise caution in their dealings — another way of saying "don't sell your shares unless you have to".

Mr Gilberson says the cautionary was issued after Press speculation about a possible Australian acquisition. The position detailed in the cautionary remains unchanged.

He says the outlook for South Africa's R5-billion a year coal export industry is deteriorating and that Trans-Natal does not expect to maintain earnings this year.

Trans-Natal exported 11,2million tons in the 1991-92 financial year and is obviously concerned about the trend in overseas prices.

Mr Gilbertson says prospects for exports in the new financial year are less favourable than in the one gone by.

The depressed state of the major world economies and the increased supply of Russian and Indonesian coal have depressed prices in the spot market.

Trans-Natal has sold already a material portion of its export sales at more favourable prices and exchange rates than those now ruling.

But the company will not be able to maintain its current earnings in the 1992-93 financial year.

As a result, it is possible that the proposed construction of a coal washing facility at Koornfontein may be deferred, so that total capital expenditure will not exceed R200-million.

Managing director Mike Salamon says that the removal of sanctions has re-opened markets in France, Denmark, Germany, Holland, Japan and Korea.

But South African producers have not been able to benefit in the short term because they were not able to participate in the contract negotiations at the end of 1991.

Mr Salamon is optimistic about the outlook for exports after 1993, but says a price increase of R5 to R10 a ton is needed to justify any extra investment in coal production.

He warns that premature additions to South Africa's exports by way of the mooted "Red Terminal" could delay these price increases.

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WANKIE COLLIERY FM 9/10/92

Not a stunning success

Twenty years ago, Wankie Colliery was rocked by a colossal underground explosion at the Kamandama shaft — 427 men were killed, among them some senior Anglo American coal mining staff. Two decades later, this colliery, which mines a deposit of unusual richness, is facing financial problems at least as serious as those which, differently, confronted it in 1972 (215)

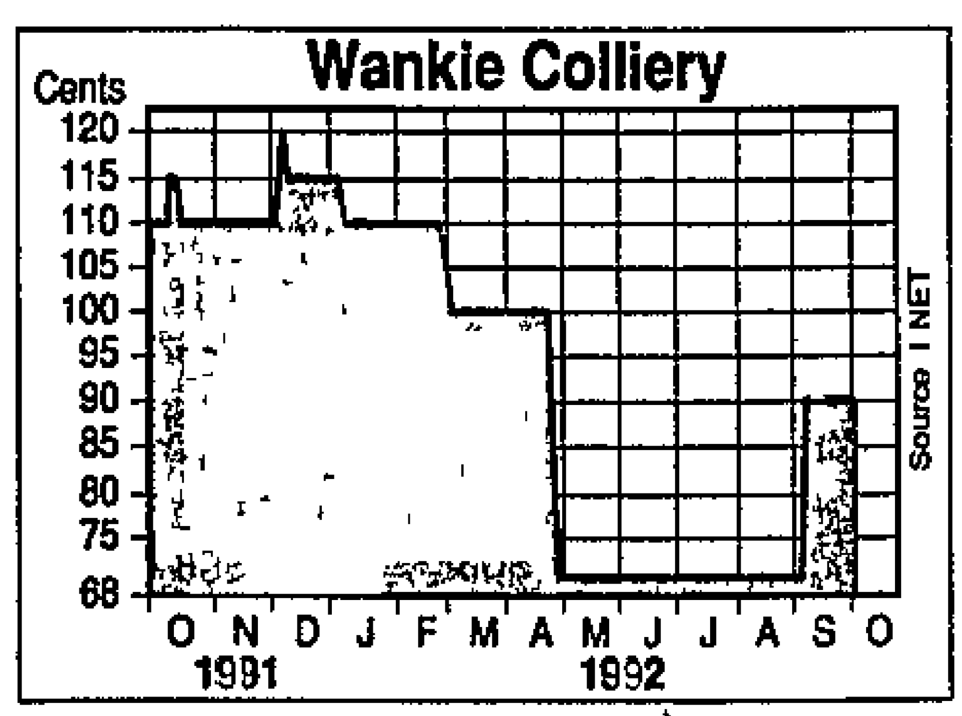
The latest annual report — for the year to end-February and released rather late — shows that total raw coal mined was 5,8 Mt, an increase of 4% over 1991 Turnover rose 13% to Z$210m, but net profit fell a frightening 37%, to Z$22m Given the need to repay Z$20m of long and medium-term loans this year and to embark on a capital expenditure programme of ZS103m, it is

Activities: *Mines and markets coal products.*
Control: *Zimbabwe Government*
Chairman: *N Kudenga; MD O K Bwerinofa.*
Capital structure: *25,3m ords. Market capitalisation. R20,2m*
Share market: *Price 80c Yields 29% on earnings, p e ratio, 3,4. 12-month high, 115c, low, 90c. Trading volume last quarter, nil shares*

Year to Feb 28	'90	'91	'92
Tonnage produced (Mt)	5,3	5,6	5,8
Turnover ($m)	144	185	210
Net profit ($m)	20	36	22
Earnings (Rc)	46,7	71,4	26,6
Dividends (Rc)	—	14,3	—
Net worth (Rc)	380	393	598

hardly surprising the dividend (Z15c last year) has been passed

Chairman N Kudenga relates the tale in his statement: In 1991, Wankie applied for a price increase of 22,5% to take effect from March of that year This was in response to Zimbabwean government decrees which devalued the currency, increased interest rates and lifted price controls in some areas (but obviously not for Wankie's product). The result, laments Kudenga, was that operating



costs increased drastically "The overall financial performance of the company was and continues to be adversely affected "

The price increase, when it was granted, was for only 17,5% and it became effective four months late. Wankie then applied for a supplementary increase, this time of 38% That was rejected However, a 45% price increase has now been granted with effect from March this year

All this is bewildering, illogical and tardy If it illustrates anything, it is the folly of allowing ignorant civil servants the right to meddle with the pricing mechanisms for essential commodities

Kudenga is careful not to make any predictions for the company's performance over financial 1993 However, he does catalogue the country's woes poor past economic performance has been worsened by the drought, the need to move vast quantities of imported maize by rail is affecting coal shipments and electricity supplies are being curtailed.

The Hwange Power Station, the country's largest, has been described by one expert as an accident waiting to happen, ever since an extraordinary foolishness allowed coal dust to contaminate the boilers Of course, that is not Wankie's problem directly, as it merely supplies the fuel, but it highlights Zimbabwe's chronic difficulties — at a time

continue →

FM 9/10/92 (215)

when drought has crippled the hydro-electric station at Kariba, the country's most significant thermal producer is delivering barely half its rated capacity, with dire consequences for industry and commerce

The counter is priced in Johannesburg — when it trades, that is — at around 80c, which gives it a p e of 3,4, generous in the circumstances In fact, the share has not traded on the JSE in the past three months and it managed a paltry 64 000 over calendar 1991. That says it all, who needs it in a portfolio? Anglo American Corp must be glad not be involved any longer in an operation which should be, and patently is not, a stunning success

David Gleason

Scramble for new coal markets

BDay 12/10/92

JONO WATERS

215

SA steam coal exporters are cutting each others' throats in a scramble for new markets and thereby further depressing already weak export prices, the Mining Journal reported in its latest issue

In the report Trans-Natal acting CE Bobby Jurd said exports were expected to decline this year as a result of weak prices, uncompetitive freight rates and the SA authorities' decision to lower interest rates and their refusal to devalue the rand

Jurd said he did not see any significant short- to medium-term growth in SA's domestic coal market as sales had remained steady at 130-million tons a year since 1988 and Eskom had indicated that no new tenders for coal would be put out until 2005

However, SA Shipbrokers MD Peter Sowerby believed the export tonnage this year should be 49-million tons against 48,5-million tons in 1991

Previously there had been a fairly East-West regional spread of SA exports but SA was now sending 65% of its exports to Europe.

Trans-Natal, Randcoal and Amcoal are SA's three largest exporters fulfilling 60% of the export total The report said Amcoal and Randcoal would become less dependent on the export market as a result of contracts to supply Eskom's power stations under construction

But, the report said an "additional headache" for the three major exporters was Sasol which had satisfied its domestic requirements and was now looking at exporting

Sasol, together with seven other producers, announced the formation the Coal Export Terminal Joint Venture (Coalex) in mid-August Sasol had originally wanted to join the Richards Bay Coal Terminal (RBCT), but this had been blocked.

After the announcement of the proposed Coalex development, the RBCT consortium offered Sasol participation in an expansion project at the existing Richards Bay terminal

Randcoal's marketing director Robin Turner said "The door is not closed to Sasol The greenfields development is still a valid option"

The line taken by the RBCT consortium was that the establishment of additional coal export facilities, either through RBCT or Richards Bay, would require a careful assessment in the light of world oversupply of coal and weak demand

The consortium would also have to look at giving part of their share at the terminal to Sasol, which would not be beneficial if the price rose

Randcoal financial director Fergus McLeod said the RBCT partners were unwilling to let Coalex into the terminal because of fear for their own shares in future exports

Sasol, however, remained committed to its coal export programme, which was part of an overall group export drive The report said GM Chris Cloete believed that while world markets were not good at present, by the time the new terminal was likely to be built, natural market forces would have improved the balance between international demand and supply

Sowerby suggested it would make more sense if Sasol joined RBCT and expanded that terminal until Sasol's exports could be dealt with rather than build a new terminal

He added that SA coal was too expensive and a stockbroker's report to be released soon was expected to confirm that SA producers would not be able to make money next year with prices under $29/t

UK colliery closures open door to SA coal

BDAY 15/10/92 MATTHEW CURTIN 215

BRITISH Coal's decision to shut 31 collieries confirmed SA coal exporters' confidence that Europe would become their key export market in the 1990s, industry sources said yesterday.

However, they said the planned closure of the coal mines by March next year would not lead to "windfall export sales", although it was a reflection of the accelerating demise of the European coal mining industry.

Trans-Natal MD Mike Salamon said Britain's two power utilities, National Power and Powergen, had huge coal stocks standing at 50- to 60-million tons, equivalent to a year's supply.

He said the British energy industry was turning increasingly to natural gas, as a cleaner burning fuel, for electricity generation.

"There will be an increase in British coal imports, but not on the scale of the supplies lost through mine closures because of these factors," Salamon said Trans-Natal had held discussions with National Power and Powergen but "nothing substantive" had emerged with regard to new sales contracts.

Randcoal CE Allen Cook said the British Coal closures would "not have much of an impact" because of the shrinking of Britain's coal market. The effect on Randcoal's exports would be "marginal if not negligible".

He said Britain lacked adequate coal import facilities — plans to build a bulk handling plant at Immingham fell through before the recent general election.

Frankel, Max Pollak, Vinderine analyst Kevin Kartun said the development was significant in the longer term with the phasing out of subsidised coal production in Europe and expected growth in electricity consumption.

Factors working against coal were the trend towards gas-based power stations and the environmental disadvantages of coal-powered electricity generation and the threat of carbon taxes.

● See Pages 5 and 8

SA coal exporters confident

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CT 15/10/92

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Trans-Natal MD Mike Salamon said Britain's two power utilities, National Power and Powergen, had huge coal stocks, standing at 50 to 60-million tons, equivalent to a year's supply.

● News of the closures and a slide in manufacturing output in August hit sterling yesterday

Comments from the Bundesbank Suggesting that a cut in interest rates may be delayed added to the currency's problems. The pound slumped 3,25 pfennigs to DM2,4953 and also lost ground to the dollar, closing almost half a cent lower at $1,7110.

Randcoal profits from sharp increase in sales

215

BIDRY 20/10/92.

MATTHEW CURTIN

LARGE increases in local and overseas coal sales fuelled a 27% increase in Randcoal's attributable earnings in the year-ended September 1992.

However weak export prices knocked second-half profits, which failed to meet management's interim forecast of maintained second-half earnings

In addition, earnings a share fell 9% because of the larger number of shares in issue. Randcoal declared an unchanged total dividend of 60c a share.

The group reported attributable income of R172m, up from R145m, but a year ago issued 24,2-million shares in payment for the acquisition of Corgroup (Jupiter) Investments and some operating coal rights. Earnings a share fell to 168c from 185c.

CE Allen Cook said in a statement yesterday earnings would be diluted again in the current year with the restructuring of Rand Mines. Randcoal planned to acquire all the former mining house's coal rights and shares in investment company Delagoa Bay

He said Randcoal would thereby gain control of Rand Mines' management agreements with Randcoal's mining operations as well as Eskom supply contracts to the Khutala and Majuba power stations

"This will result in an accrual of income to Randcoal which will offset the cost of establishing the various services previously provided Rand Mines," Cook said. The assets would be acquired in exchange for the issue of 26,5-million new shares, valued at R225m using a share price of 850c.

Cook said· "Although the acquisition will lead to a dilution in earnings in the short term, the board is confident this will be outweighed by long-term benefits."

These include greater management flexibility and access to large scale coal reserves

Randcoal's sales volumes rose 23% largely because of the inclusion for the first time of results from Jupiter Total sales rose to 29-million tons from 24-million tons, with turnover up 30% at R1,6bn (R1,2bn) Cook said export sales, 21% higher at 11-million tons (8,7-million tons), grew in line with the expanded capacity at Richards Bay Coal Terminal.

Sales to Eskom, up nearly a quarter at 15-million tons (12-million tons) rose because of the Kendal power station's higher burn-rate in the year. Inland coal sales rose too

A 4% fall in dollar export coal prices hit operating margins, which fell to 19% (20%) on profit of R306m (R251m). Net investment income more than doubled to R3,9m from R1,2m, reflecting a fall in financing costs from reduced borrowings and lower interest rates.

Pre-tax profit rose 21% to R178m from R147m. With a higher tax bill, Randcoal reported 19% higher after-tax profit of R172m (R145m).

Trans-Natal in talks on Aussie takeover deal

BDay 23/10/92

MATTHEW CURTIN

215

TRANS-NATAL may be moving closer to clinching a multimillion-rand deal which would see it establish an operating base in Australia through a takeover of New South Wales coal producer Oakbridge.

Trans-Natal spokesman Sean O'Shaughnessy said yesterday parties they had spoken to in Australia included FAI Mining, transport group TNT, and mining group McIlwraith McEarchan. TNT has a 46% controlling stake in McIlwraith, which it put up for sale last month, and McIlwraith has a 41% controlling stake in Oakbridge.

O'Shaughnessy said that, depending on whether a deal went ahead and what it involved, Trans-Natal would consider a rights issue to raise money to finance an acquisition in Australia, as well as use of offshore credit and the finrand.

Frankel Max Pollak Vinderine analyst Kevin Kartun said Oakbridge could present the SA coal group with a valuable toehold in Australia. It would cut the group's freight rates to Far East markets, improving its competitiveness.

However, Oakbridge was "not a prime investment target" and would require significant capital investment. In the year-end June 1992, Oakbridge reported after-tax loss of A$14m, compared with an after-tax profit of A$14m in 1991. At June 30 1991, it had a market value of a A$200m, but a debt to equity ratio of 0,53 with long-term borrowings of nearly A$120m.

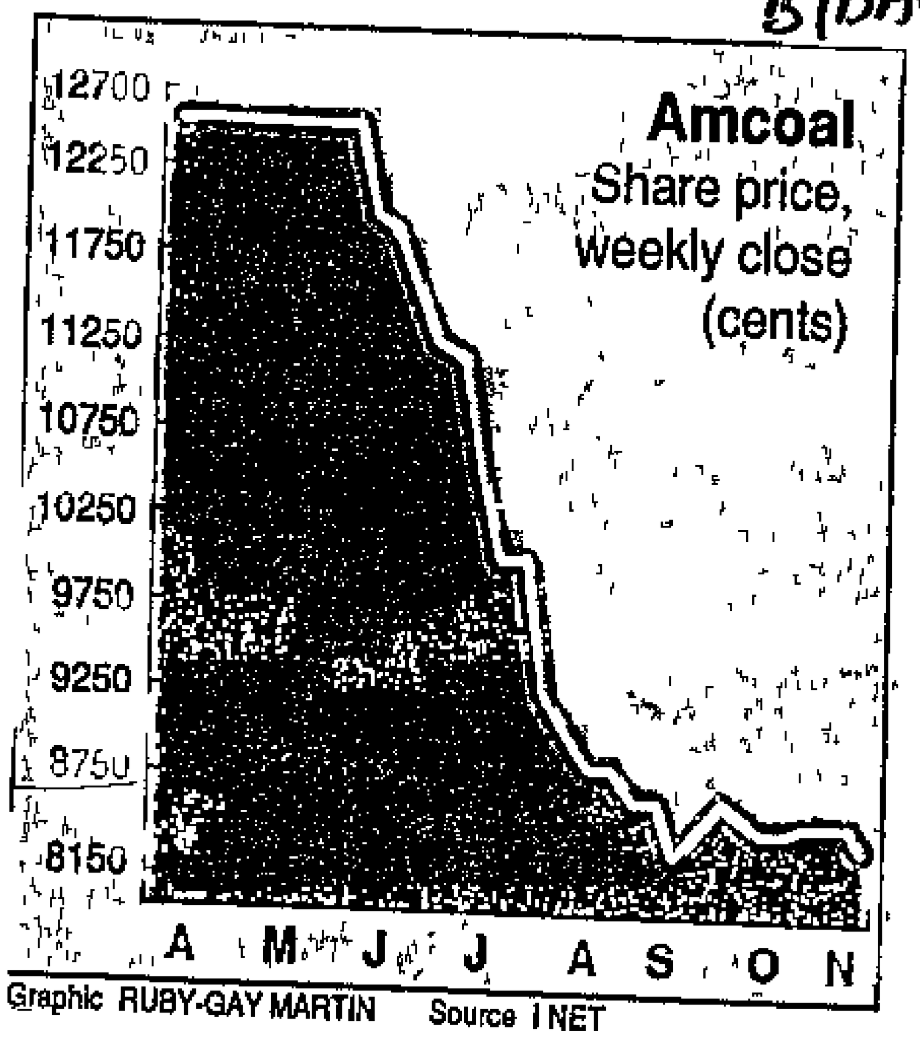
Speculation that Trans-Natal was close to a deal was triggered by a report in the Melbourne Age newspaper which said Trans-Natal was about to launch a A$100m takeover bid for McIlwraith. It said TNT's stake was worth nearly A$90m, but Trans-Natal might have to pay a premium for it.

However, the report was immediately followed by a rebuttal from McIlwraith MD Tony Lawrence who said no takeover deal was in progress, but discussions were continuing on other matters.

An industry source said that Trans-Natal's intentions were focused on Oakbridge, but noted that McIlwraith's partnership with government-owned shipping group, Australia National Line, would be advantageous for Trans-Natal.

Amcoal maintains interim dividend

BDAY 5/11/92



Graphic RUBY-GAY MARTIN Source I NET

JONO WATERS (215)

ANGLO American Coal Corporation (Amcoal) maintained its interim dividend of 150c a share for the six months to end-September, in spite of a 7,9% fall in after-tax profit

Turnover increased slightly to R953m compared with R949m in the same period last year, but earnings a share fell 15,1% to 537c (632c).

Operating profit declined by 6,6% to R203m (R217m) and lower interest rates and continuing capex at the Landau replacement project resulted in a decline in interest and investment income to R37,5m from R45m.

☐ To Page 2

Amcoal

BDAY 5/11/92 (215)

☐ From Page 1

Pre-tax profit decreased to R240m from R262m, and the tax bill of R118m (R129m) cut the after-tax profit to R123m (R133m).

Chairman Dave Rankin said the 15% decline in attributable earnings to R135m (R159m) was because of less favourable adjustments to previous years' deferred tax benefits, which arose from the reduction in the rate of taxation.

Coal and coke sales were slightly lower at 20,7-million tons (21,2-million tons), but export sales rose to 5,16-million tons from 4,47-million tons. Despite a softening in the dollar, export profitability was lower as a result of a decline in export prices. Sales to the domestic market, and especially Eskom, decreased.

Rankin said that in spite of prevailing conditions, increases in colliery unit working costs continued to be contained below the rate of inflation.

"While dollar prices have continued to weaken, coal export tonnages for the second half of the year are expected to be at slightly higher levels than those achieved in the six months under review," said Rankin.

He added that, assuming the rand/dollar exchange rate remained at its current level, forecast earnings for the second half of the year would be similar to those in the first six months.

Majuba project 'to be cut back'

Business Day Reporters

ESKOM is expected to announce today that completion of its R8,5bn Majuba power station near Amersfoort in the southeastern Transvaal has been put on hold.

(215)

It is believed that the postponement of construction relates to unexpectedly high coal mining costs Rand Coal has encountered at the Majuba colliery

Dolomite dykes have been discovered intruding into the colliery's relatively deep coal seams, making longwall mining impossible This has raised the cost-related coal price which Eskom usually pays from the average R25/ton to about R40/ton.

The colliery was originally designed to produce about 900-million tons of coal — about 40 years' supply The power station was located at Majuba because pollution restrictions prevented its construction nearer the Witbank coal fields

Three of the power station's planned six generating units were due to be commissioned between 1996 and 1999. It is believed that Eskom has suspended the further construction of three other units — at present only the foundations have been laid — while the question of coal supplies is investigated. Deferred capital expenditure would be worth more than R200m

Eskom's contract with Rand Coal apparently does not stipulate exact prices but is based on the concept of "reasonable" prices This is standard practice as the utility needs to ensure that collieries generate adequate profits for mine owners

Although it has not yet had a legal dispute with any supplier, Eskom's size enables it effectively to overrule any prices which it considers unreasonable

Eskom will consider bringing coal from another colliery or building the units closer to cheaper coal deposits

While it is likely that some jobs will be lost in contracting companies, it is believed that Eskom itself will avoid retrenching personnel

Majuba setbacks hit Randcoal stock

JONO WATERS and PETER DELMAR

RANDCOAL shares plunged 33% on the JSE yesterday following the announcement that geological problems at its R1,7bn Majuba colliery had resulted in Eskom shelving half the nearby power station project.

215

Randcoal shares closed down R2 at R4. They have fallen from a high of R15,25 in February Randcoal has been widely regarded as the only jewel left in the Rand Mines stable BDM 12/11/92.

Eskom announced yesterday it was to defer building three of six of its generating units at its R8,5bn Majuba power station near Amersfoort in the south-eastern Transvaal

The power corporation could come off even worse, as it has to pick up 40% of the R1,7bn cost of the three-shaft Majuba colliery.

Randcoal sank the first shaft in 1988 and hit bottom in 1989.

The colliery was originally designed to produce about 40 years of supply, but the presence of dolomite sills and dykes made longwall mining impossible and reduced the mine's life to between 29 and 35 years

Randcoal CE Allen Cook said there was coal at Majuba, but getting it out at low cost was the problem As a result, Eskom felt it was prudent to hold off building three units, he said

"We are in this together, we just have to find the way out," said Cook

An Eskom spokesman said an investigation into the most cost-effective course of action would be concluded by the end of

☐ To Page 2

Randcoal

BDM 12/11/92

215

☐ From Page 1

next year.

Randcoal won the tender in 1981, and Eskom acknowledged Majuba's coal would be about 20% more expensive than coal from the Witbank coalfield as the deposit was about 200m deeper. Part of the tender included four longwall sections, but plans for longwall mining had now been scrapped.

Asked if this was another Rand Mines mistake, following the mining house's failed ventures into Barplats, Barbrook and Vansa in the '80s, Cook said Randcoal had followed the drill requirement to delineate the ore body

"At that time, and given the normal parameters, I doubt any other organisation would pick up the abnormal frequency of volcanic intrusions." An American firm had vetted the work before the go-ahead

Cook said it was a negative approach to try blame anyone as Majuba was a "reasonable" coalfield.

The cost-related coal price which Eskom expected to pay at Majuba was about R30/ton compared to the average of R25/ton Cook said coal for the six units would now be between R37/ton and R41/ton.

Eskom executive director Johan van den Bergh said Eskom's contract with Randcoal did not stipulate exact prices but were based on the concept of "reasonable" prices. Contracts with Eskom have not been contested to date.

He said no Eskom staff would lose their jobs and the first three units would continue as scheduled. Contracting staff for the second three units might be effected.

Van den Bergh added that he was quite confident that a solution would be found and the announcement was in no way related to the recent reports that CE Ian McRae might retire next March.

Top coal shares plummet 33%

CT 12/11/92 (215)

From JONO WATERS
and PETER DELMAR

JOHANNESBURG — Randcoal shares plunged 33% on the JSE yesterday following the announcement that geological problems at its R1,7bn Majuba colliery had resulted in Eskom shelving half the nearby power station project.

Randcoal shares closed down R2 at R14. The share has fallen from a high of R15.25 in February. Randcoal has been widely regarded as the only [illegible] left in the Rand Mines table.

Eskom announced yesterday it was to defer the building of three of six of the [illegible] at its R6,5bn Majuba power station near Amersfoort in the south-eastern Transvaal.

The power corporation could come off [illegible] to pick up 40% of the R1,7bn cost of the three-shaft Majuba colliery.

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Eskom to shelve project

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FM 13/11/92 (215)

AMCOAL

Feeling the heat

Shareholders can't claim they weren't given adequate warning or that Amcoal's interim results have come as a surprise Chairman David Rankin warned in the last annual report that the company would produce lower net earnings over financial 1993 He's been proved right at the half-way stage

Not that he derives pleasure from his accuracy Nevertheless, EPS, at 536,6c, are 15% down on the year-ago figure There's some comfort for shareholders in the dividend, which has been maintained at 150c

Rankin's favourite refrain is that investors shouldn't pay too much attention to the bottom line, which is distorted by adjustments for lower tax rates and deferred tax benefits in previous years. "The important number," he says, "is profit after tax at current rates That reflects more accurately how the company has managed its affairs." The 1993 interim of R123m is only 8% down on last year's and indicates tight control over working costs at the producing collieries

Amcoal is coy about revealing its unit working costs and says only that these were contained at a level below the inflation rate Operating profit fell 6,6% to R203m.

Underlying reasons for Amcoal's decline lie in the parlous state of the international and domestic markets Total sales for the six months fell marginally to 20,7 Mt, though that figure disguises an increase in export sales from 4,7 Mt to 5,2Mt It was in the domestic market that Amcoal suffered most and the company confirms its inland sales "and to Eskom in particular" were significantly lower

Rankin attributes much of the fall in net earnings to difficulties in the export markets Amcoal had a marked softening in US$ prices. These were caused, he says, by the pervasive world recession accompanied by a potential international oversupply of steam coal A new and aggressive producer is Indonesia and Australia continues to have capacity to meet almost immediately any fresh demand.

What's more, the CIS is proving unusually disruptive Rankin quotes as an example some CIS producers that are about 5 000 km from their ports — eight times the distance between Richards Bay and the Transvaal export coalfields — but which are able, thanks to unrepresentative and heavily subsidised transport charges, to deliver their coal at prices below those of SA producers.

Amcoal's short-term prospects are much the same as for the first half year Its fortunes may be assisted, however, by a continuing decline in the value of the rand against the dollar, in which all Amcoal's exports are priced But shareholders shouldn't hold their breath in expectation of being bailed out by continuing devaluation

At R83, the share price is plumbing a 12-month low (the high was at R130), giving a p.e of 7,1 When the *FM* last covered the company, in June, the price was R120 — some indication of the market's dismay with the coal sector generally The share offers value — but only for those who are interested in a long-term core holding in the coal business Speculators should stay away

David Gleason

ONLY EMBERS

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Sales tons (000)	1 195	1 156	20 741
[illegible]	217	[illegible]	[illegible]
Attributable (Rm)	159	162	135
Earnings (c)	632,4	642,3	536,6
Dividend (c)	150	[illegible]	150

Low coal consumption 'reflects state of economy'

BIDAY 24/11/92 (215)

JONO WATERS

THE low coal consumption by industry and Eskom mirrored the depressed state of the economy, Randcoal chairman Allen Sealey said in his annual statement.

This would continue until real political progress was made to open the way for new investment.

"The mining industry in general is experiencing a very difficult period and additional closures and rationalisations had taken place during the past year."

A revival in the SA economy had been anticipated after the March referendum, but this failed to materialise mainly as a result of nationwide social unrest and a general lack of confidence, he said.

Randcoal had to lay off 160 employees at Welgedacht and retrench or relocate about 400 workers at Douglas.

"Unemployment continues to increase and will only be contained, and employment created, through capital investments in economically viable projects."

Sealey said a project team had developed a more efficient and cost-effective mining plan in the Douglas/Duvha/Middelburg area and discussions on rationalisation had reached an advanced stage with Randcoal's partners JCI and Eskom.

The easing of political attitudes towards SA had opened up certain markets for coal exports, which were likely to rise 6% higher than 1991's volumes. In 1993, volumes were expected to increase further.

However, the SA coal industry had to be careful not to export more than the market could bear as this would lead to a further deterioration in prices. Lower spot prices would have a negative effect on future contract negotiations.

He said that in a depressed market, particular attention was focused on costs. "While our exports remain at the lower end of the international cost curve, it is of concern that our competitive position is being eroded by the ravages of inflation."

Sealey said major long-term consumers were expressing concern about exporters being able to afford the capex for sustaining and expanding production.

Steam coal imports expected to grow

JONO WATERS

(215)

WORLDWIDE seaborne steam coal imports should increase to 300-million tons from 187-million tons by the year 2000, BHP Minerals Europe MD Vaughan Williams told the recent UK Coal '92 conference.

Coal Week International quoted Williams as saying the balance of trade would shift from traditional exporters in the US, Australia and SA to a "new generation" of exporters in Colombia, Venezuela and Indonesia. Steam coal accounts for about 90% of SA's exports.

Thermal coal trade was expected to grow by 5,5% a year through the '90s, after a "phenomenal" 14% a year over the past 18 years.

BDM 25/11/92

BUSINESS DAY, Thursday, November 26 1992

Capacity at Richards Bay to increase

JONO WATERS

THE Richards Bay Coal Terminal capacity could be increased to 54,5-million tons a year at no extra capital cost, Randcoal CEO Allen Cook said in the company's annual report.

The re-organisation of the terminal, following the upgrading which was completed last year, would allow for the increase in capacity

The terminal's export capacity was increased to 53-million tons a year from 44-million tons a year at a cost of R285m

Cook said forward planning had enabled Spoornet to be in a position to meet the export rail requirements comfortably

"In future, no difficulties are foreseen in maintaining this position as exports gradually increase in line with market demands"

In 1991, total coal exports from SA producers through the terminal amounted to 45,3-million tons (45,5-million tons), but this was expected to rise to 48-million tons this year. Overall coal exports from all SA ports were expected to amount to 51-million tons this year.

Randcoal production for sale to the inland and export markets increased to 6,89-million tons in 1992 from 6,72-million tons in the previous year

BIDAY 26/11/92 Rietspruit (215)

Cook added that 1993 was going to be a difficult year for coal producers as a result of the weakness in the export market, turmoil in foreign exchange markets following the withdrawal of the UK from the ERM, lack of growth in domestic power consumption and the recession

However, it was hoped that Randcoal's policy of seeking long-term supply contracts with quality customers would continue and the full benefits of the restructuring at Rand Mines would become evident.

The improved coal qualities being planned at Rietspruit colliery would provide greater flexibility to the group's marketing efforts and reinforce the range of coal qualities offered to overseas customers, said Cook.

Close attention would be paid to the further mechanisation of the mining operations at Welgedacht, with the concomitant improvement in labour productivity

At the Majuba colliery, where dykes and sills protruding through the seam had made longwall mining impossible, Cook said alternative coal supply sources to supplement the reserves would be examined.

He added that Randcoal was considering alternative mining methods which would make the extraction of coal more suitable to the coal seam as it was constituted

Divisions serve UAL well

Business Day Reporter (BB)

THE strong profit growth in each of UAL Merchant Bank's operating divisions saw the company increase its taxed income by 21,7% to R47,5m in the financial year ended September 30 BIDAY 26/11/92

This gave a return on average shareholders' funds of 35,4%, said MD Geoff Richardson

During the period under review, total assets increased by 5% from R3,5bn to R3,6bn

Richardson said the Corporate Finance division had a particularly successful year, achieving a record result. Mergers, acquisitions and fund-raising to the value of nearly R6bn were concluded

Equally satisfactory was the performance of the Investment division, which far exceeded its target for obtaining new business and ended the year with funds under management exceeding R15,1bn

Highlight of the Unit Trust division was undoubtedly the momentum created by the formation of UAL Investment Planning Services

Rothmans on even keel with fair weather ahead

How to avoid getting

(215) B/DAY
27/11/92

Randcoal figures

THE Randcoal report in Business Day yesterday gave the inland and export tonnages only for the company's Douglas colliery and not for the whole group. The overall figure for export and inland tonnages in 1992 was 14-million tons, up from 11,5-million tons.

Matla talks continuing

WILSON ZWANE

TRANS-Natal and the NUM were still locked in discussions yesterday following a strike by 1 200 workers in the eastern Transvaal.

According to the NUM, the workers downed tools at Matla Colliery on Tuesday in protest against management's "victimisation" of shaft stewards.

215

Trans-Natal spokesman Pam Agnew confirmed the workers were on strike and that they were demanding:

- the reinstatement of full-time shaft steward David Malaza who was dismissed after a disciplinary hearing;

BDay 27/11/92

- the re-employment of 14 workers released recently in terms of a pardon to political prisoners. The workers were convicted in 1990 of murdering and assaulting fellow employees during an industrial action the previous year; and
- the integration of workers, who had been living together in one hostel since the strike, with fellow workers living in other hostels.

Agnew would not say what management's response to the demands was.

FM 4/12/92 215

RANDCOAL FM 4/12/92

Driven down too far? 215

Activities: *Mines and markets coal for Eskom as well as the export and domestic markets*
Control: *Rand Mines 70,8%*
Chairman: *A Sealey, CEO A Cook*
Capital structure: *102,4m ords Market cap-italisation R563m*
Share market: *Price 550c Yields 10,9% on dividend, 30,5% on earnings, p e ratio, 3,27, cover, 2,8 12-month high, 1 525c, low, 400c Trading volume last quarter, 0,2m shares*

Year to Sep 30	'89	'90*	'91	'92
Coal sales (Mt)	19,9	22,2	23,9	29,3
Turnover (Rm)	796	1 087	1 244	1 620
Operating profit (Rm)	174	240	252	306
Earnings (c)	2 089	184	185	168
Dividends (c)	380	550	60	60

* Figures restated to reflect change in accounting and 10-for-1 share split in September 1991

Share prices of major coal groups have taken a battering over the past 18 months, but Randcoal has been particularly badly hit, falling 75% from its 1991 high of R15,75 to a 1992 low of just R4 before recovering to present levels around R5,50 While there are good reasons why the coal sector is under pressure, and also why Randcoal has lagged competitors, the share has been driven down unrealistically to bargain basement levels

Randcoal is one of the world's major coal mining and exporting groups Export markets for steam coal are still expected to average a 5% annual compound growth rate and reach 300 Mt by the year 2000, from about 190 Mt this year That's a mouth-watering projection even though in the short term the coal export market is oversupplied because of the world recession, and spot market coal prices have tumbled

Benchmark contract price for European delivery this year was set by Italian power utility Enel in January at US$31,8/t Since then the spot price has plunged as low as $24/t fob Richards Bay At that level the exporter cannot be making profits

Sales volumes on the spot market are limited compared with contract sales — the SA coal groups sell 80%-90% of production on contract But the tail is about to start wagging the dog in the contract negotiations starting now for 1993 delivery Customers are taking a hard line, demanding large cuts in contract prices to bring them more in line with the spot market Contract prices for next year could be $4/t lower

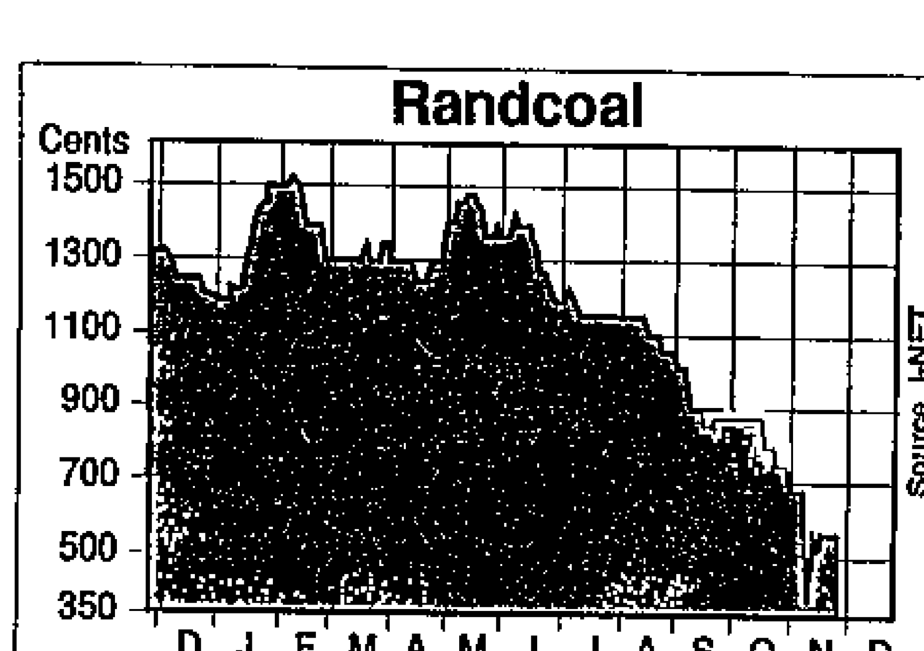
Randcoal's share has come under additional pressure because of the expanding issued share capital which has diluted EPS and, most recently, uncertainty about long-term financial implications of problems at Majuba colliery, which will supply Eskom's Majuba power station

Issued capital jumped in 1991, when Randcoal acquired coal interests from controlling shareholder Rand Mines, and will rise again by 25% this year, when another 26,5m shares are issued to acquire the balance of Rand Mines' coal interests Effective dilution will be reduced to about 10% through the share of management fees and income from Eskom that went to Rand Mines and is now flowing directly to Randcoal

What really worried the market was the recent development at Majuba Initial geological drilling and assessment work carried out by Randcoal in accordance with its agreement with Eskom failed to detect the extent to which vertical dykes and sills had intruded into the coal beds This became apparent only when lateral underground development of the coal seam started That has lifted estimated mining costs, and called into question the extent of the tendered coal reserves

Eskom energy manager Brian Statham comments "We are not satisfied with the increase in cost from Majuba, but we have a very good relationship with Randcoal which is why we are working together to find a solution"

Majuba's first three generating sets will be commissioned as planned in 1996, 1997



Randcoal's Sealey
short-term oversupply

and 1998, but construction of the last three has been delayed by a year pending outcome of the study now under way by Randcoal If additional coal reserves that can be mined at a price acceptable to Eskom cannot be found around Majuba, the obvious alternative is to add the last three sets to Kendal power station, where the sixth and last generating set will be commissioned next year

Randcoal owns extensive additional coal reserves surrounding those committed to Kendal from its Khutala colliery This is a low-cost producer whose reserves are geologically undisturbed

Since the Majuba revelations, there has been speculation over a possible takeover of Randcoal, based on rumour that controlling shareholder Barlow Rand might be willing to sell That seems unlikely, and Randcoal CE Allen Cook flatly denies it is for sale Meanwhile, after the collapse in the price the market is valuing the counter at a pittance compared with the replacement cost of the assets

It costs an estimated R250 per annual ton of capacity to build a new coal mine Randcoal sold 29,7 Mt of coal last year, meaning its collieries have a replacement value of around R7bn, yet its market capitalisation is a mere R560m If Barlow Rand was persuaded to sell at or near the current share price somebody would get a phenomenal bargain On the other hand, investors may feel these figures show the share is underpriced and well worth holding *Brendan Ryan*

Finrand move imperils Aussie deals

STAR 4/12/92

Derek Tommey 215

Considerable uncertainty exists over the plans of Trans-Natal to buy a stake in the Australian coal mining company, McIlwraith McEacharn, following the SA government's ban on the use of financial rands for foreign investment

"Not finally shelved, but it is unlikely it will proceed," a Trans-Natal spokesman said last night

The Department of Finance said last weekend that it would no longer allow finrands to be used for foreign investment, except in exceptional circumstances

Trans-Natal had been negotiating to buy the 46 percent holding in McIlwraiths held by the Australian firm TNT.

Australian finance sources yesterday were speculating that Pretoria's decision might also affect the proposed purchase of the Sydney company, Chemplex, by Sentrachem, The Star's correspondent in Melbourne reports

The sources said an agreement had already been reached at a price of R250 million to R330 million.

A Sentrachem spokesman said last night that activities connected with its proposed acquisition of Chemplex were proceeding according to plan, and discussions with the Reserve Bank were continuing

Bankers in Johannesburg said it might be possible that Sentrachem and even Trans-Natal would scrape under the ban as they were negotiating before it was imposed

But it is unlikely that any other company will be able to invest overseas as long as the ban continues

The only way that a company with no foreign connections can now buy an overseas company is to find a seller who is prepared to grant the SA company a 100 percent loan. But such generosity would be hard to find, a banker said.

On the other hand, any company which already had a base overseas was well placed to expand further and would probably get a substantial competitive advantage over its SA competitors, he said

For this reason, it was hoped that the ban would be lifted as soon as possible, he said.

The banker said offshore investments were not motivated by the desire to escape local political difficulties.

SA firms had many good reasons for opening up overseas

They might have saturated the SA market and might need to expand abroad, as was the case with Sappi amd Mondi

It was this consideration that also brought many foreign investors to SA between 1950 and 1975, he pointed out.

They might also be seeking foreign knowhow This is believed to be one of the reasons for the Sentrachem purchase

In the case of banks, they needed to operate overseas or risk losing existing business to foreign operations.

The ban has led to a slow but steady strengthening in the financial rand.

Last night its discount to the commercial rand had dropped to 38 percent from 41 percent 10 days ago

European coal buyers push SA producers for price cuts

Bdm 7/12/92. (215)

JONO WATERS

LOCAL coal producers have come under increased pressure as European buyers lean on them to accept substantial price cuts for 1993 exports But marketing directors are reluctant to discuss likely price reductions.

Price negotiations, the coal owners claim, are confidential However, market sources expect the average export price of a ton of coal could be as much as $6 less in 1993 than in 1992 This implies decline in export earnings of about $300m, or 20% of 1992's dollar total, if other world buyers squeeze the SA producers as mercilessly as the Europeans

The rand's persistent decline against the dollar is expected to help sustain rand revenues, but not to protect them completely Last week's announcement of retrenchments and a halving of production at Ermelo, a colliery owned jointly by Total and Trans-Natal, underscored the extent of the pressures

One SA marketing director said 1993 FOB prices were between 5% and 10% lower than in 1992 in dollar terms. He believed that despite the fall in the rand, the rand value received by SA coal exporters would be lower in the coming year

He added that European utilities were at present buying more spot coal and less on contract

US market sources said major SA producers were being offered lower prices by European utilities and one company had dropped its price for 6 000 kcal/kg to below $30/t FOB

Reports say the Europeans have targeted South Africans first because they are in the weakest position If SA prices can be forced down from just more than $30/t FOB Richards Bay to $25/t, market strategists believe attention will then be turned to Colombia and Venezuela, perceived to be the next weakest

But while most SA exporters agree 1993 will be very difficult, one cheerfully says prices will be higher next year Italian-owned Agipcoal MD Johan Jooste-Jacobs said his company was in the process of finalising its first long-term contract and that the price was "significantly higher" than $30/t There had been a slight reduction in the contract price, but that was dictated by the market "My view of the market is that conditions are a lot better than anticipated"

Traders, who were reluctant to be named, wondered whether Agipcoal was able to negotiate such an attractive price because it had preferential access to the Italian market Enel, the Italian state electricity utility was, apparently, recently offered SA coal at $25/t FOB Richards Bay Duiker is said to be the most aggressive price cutter

Anglo American Coal Corporation (Amcoal) MD James Campbell said his group had not accepted prices around $25/t FOB for 1993 contract Amcoal had concluded prices with some regular customers and in some cases the prices had been lower, but the prices were confidential

However, as far as he knew, SA producers had not accepted lower prices as none had been put on the table by the major buyers

Trans-Natal director Bobby Jurd said his corporation had concluded a number of contracts for next year — some were rollover agreements and some had lower prices Trading and price setting, he said, reflected the extremely competitive environment which had developed because of the state of the economies of the industrialised countries "1993 will be an extremely difficult year"

Lower prices were prevalent among all producers and not just SA exporters, but price trends would become clear only in February when most of 1993's contracts would have been finalised "You cannot look at the prices offered by one company as being indicative of those negotiated by all exporters," Jurd added

Randcoal marketing director Robin Turner said the market was weak and prices had come under pressure, but he would not say whether the group had accepted lower prices He added that he had seen Enel officials in Rome earlier this week but that the Italian utility had accepted no coal prices for the coming year

Riccia makes its debut on JSE today

Bdm 7/12/92.

ROBERT WICKS

RICCIA Property Holdings makes its debut on the JSE today with separate listings of more than 36-million shares in the property and property loan stock sectors

Riccia owns a selected portfolio of newly built prime commercial properties with a value of about R146m

The overall effect of the dual structure means income in Riccia loan stock would be comparable with income received had Riccia been a property unit trust.

The capital structure comprises a combination of 10-million ordinary shares of 10c each listed in the property sector and 24 197 479 unsecured, subordinated, variable rate debentures of 500c each issued at staggered premiums in the property loan stock sector.

Directors put the expected internal rate of return on the property portfolio during the next 10 years at 22,92%.

Riccia director Venter Odendaal said the portfolio was assembled to fill a specific niche in the property investment market

Future debentures will also be issued at variable premiums so as not to dilute the income and capital growth enjoyed by existing debenture holders

"All properties are located in high growth areas adjoining major metropolitan centres and feature quality low-maintenance design and construction," he said

The reason for the separate listings is that the ordinary shares will be classified as equity in terms of the prudential investment guidelines which would provide little interest to the institutional investor

Odendaal said the primary distinction within the listing was that Riccia would be liable to pay income tax on income not paid out to investors by way of debenture interest

"Given the relatively small proportion of total income affected, we feel the operating flexibility afforded as a result of this structure outweighs the effective cost of the additional income tax payable," he said

The debentures will be classified as 100% property loan stock, distributing its entire income to unitholders annually

"Riccia's flexible structure should enable management to acquire additional properties at attractive yields, enhancing the overall profitability and value of the company," Odendaal said

Properties in 1993 will be located in Midrand 72% (65%), Witbank 11% (11%), Sandton 9% (9%), Brits 3% (5%) and Nelspruit 5% (10%)

Durban coal exports soar

JONO WATERS

(215)

COAL exports through Maputo have slowed ~~to a~~ trickle, but a record 196 000 tons was pushed through Durban's Bluff mechanical appliance terminal in October, says terminal manager Bob Searle.

Between 20% and 25% of the coal exported through the terminal last year was sourced from SA mines closer to Maputo than Durban BDM 8/12/92

Maputo's export tonnage amounted to nearly 1-million tons in 1989, but with Eastern Transvaal collieries no longer exporting through Maputo, and the closure of Swaziland's Emaswati colliery,the flow through Mozambique had almost dried up, Searle said.

STAR 8/12/92

Miners trapped after blast

NORTON (Virginia) — An explosion ripped through a small coal mine yesterday and officials feared 11 miners were trapped. Authorities reported that the explosion also flattened the office building at the South Mountain Coal Company mine

(215)

Project to help giant panda

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By Julien

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Export coal margins expected to stay tight

B/DAY 11/12/92. 215

Business Day Reporter

A MODERATE increase in the tonnage of coal shipped from the enlarged Richards Bay coal terminal may be expected, but export profit margins will remain under pressure next year because of weak international coal prices which have declined steadily since January 1992.

This was said yesterday by Rand Mines directors in their last annual report as a composite mining house

They expect the domestic market to remain depressed for some time

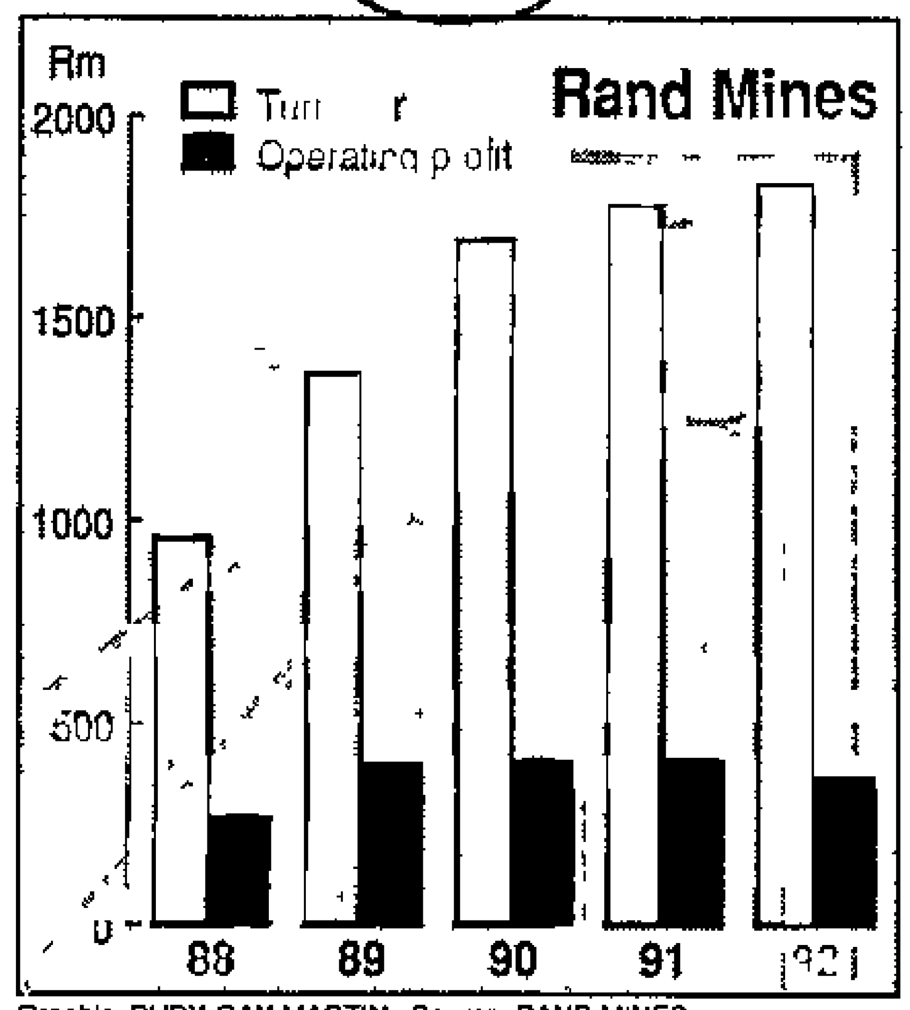
Last year's oversupply of steam coal had been exacerbated by the emergence of Indonesia as a significant supplier and by supplies of coal from the Commonwealth of Independent States, which were not subject to normal costing constraints, they said

"The lifting of sanctions by Denmark, France and the US, as well as the acceptance of South African coal for the first time by Holland and the favourable shift in attitude towards the country by the Japanese government, are positive developments."

Turning to the outlook for the gold operations of Randgold and Exploration, the directors said mines were likely to face another difficult year

Despite growth in jewellery demand, the major influence on price remained potential sales from central banks The US dollar price of gold was expected to trade in a narrow range of $330 to $350/oz

Profits from property operations of Rand Mines Properties (RMP) were unlikely to increase in 1993 as adverse economic conditions, coupled with the political uncertainty and low business confidence, continued to exert a negative influence



Graphic RUBY GAY MARTIN Source RAND MINES

Profitability of RMP's gold recovery operations would largely be dependent on the rand gold price received.

Continuing growth in world demand for platinum, particularly from the European automobile industry, could be expected, but a significant improvement in prices would only occur when the long-awaited global economic recovery gathered momentum.

A strengthening of platinum prices should follow This prospect held the possibility in the medium-term that the Crocodile River Mine could be reopened

The purchase by Barplats Mines of mineral rights contiguous to the Crocodile River Mine from Impala Platinum Holdings should overcome the problem of restricted ore reserves and lower the cost of production to viable levels

RANDCOAL (215)

Overpriced

FM 11/12/92

Minorities miffed at being diluted by Randcoal's latest issue of shares to controlling shareholder Rand Mines are being offered the chance to maintain their stakes

It's an offer many might easily refuse, as the price of 850c is a 48% premium to the 575c market price The only justification for accepting would be if investors were worried about acquiring large volumes of this tightly held and thinly traded share (Rand Mines has 71%).

Randcoal CE Allen Cook says that's precisely why the offer is being made and he is confident several large minority shareholders are going to accept it because they objected to being diluted

The house is offering minorities 25 shares for every 100 held This follows the deal announced on September 22 by which Randcoal will issue 26,5m shares to Rand Mines to acquire the remaining coal interests held directly by Rand Mines

Chairman Sealey . *will any accept his offer?*

That amounts to a nominal 25% dilution in Randcoal's EPS, which will be reduced to an effective 10,1% by the share of management fees and other income which accrued formerly to Rand Mines and now flows directly to Randcoal.

FM 11/12/92 (215)

The September 22 offer was made at the then price of 850c but Randcoal slid to 600c following the announcement Export markets are tough and the market was not happy with the second major jump in Randcoal's issued capital in two years

Randcoal shares then plunged briefly to 400c following the disclosure of the mining problems at its Majuba colliery which will supply Eskom's Majuba power station (*Companies* December 4)

The price has since recovered but there is still uncertainty about the financial and legal implications of the Majuba development Some analysts have warned clients to avoid Randcoal shares until there is clarity on the situation

That could take up to a year while Randcoal completes a study examining other coal deposits that could be used to supply Majuba

Brendan Ryan

Sasol accused of using subsidies to boost exports

BDAY. 21/12/92. (215)

JONO WATERS

SA COAL executives have criticised Sasol over the possibility of it using government fuel subsidies to aid its coal exports, the latest Financial Times International Coal Report said.

The report quoted a major exporter's executive director as saying the economic viability of Sasol's exports would make a mockery of working cost calculations

He said Sasol intended exporting coal "come hell or high water" It annoyed him Sasol might use his tax money to do so.

However, the report quoted Sasol Mines GM Chris Cloete as saying the Sasol coal business was managed as a "profit centre" based on market-related transfer pricing of coal "Our oil-from-coal business has nothing to do with our coal export business," he said

Sasol and a number of other smaller producers want to build a 10-million ton a year terminal at Richards Bay and have formed a consortium, the South Dunes Coal Joint Venture (Coalex) However, they are being criticised by the larger producers who say increased exports would further depress international coal prices

Coalex has appointed US consultants Soros & Associates to carry out a feasibility study for the proposed terminal Sources said Coalex was looking at spending about R400m.

A Sasol spokesman said at the weekend the results were expected by June. There could be a report in the interim

Richards Bay Coal Terminal (RBCT) chairman Allen Sealey was quoted by the report as saying there was no justification for building a terminal that would cost between R600m-R700m with coal prices unlikely to rise in real terms for the next five years.

Randcoal CEO Allen Cook added that RBCT's reputation for reliability could be destroyed if Coalex was to build an "el cheapo terminal"